Connect

Annual Report 2013/14

Columbia Basin trust

cbt.org

Our Mission

Columbia Basin Trust supports efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.

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Message From the Chair and CEO

Dear Minister Bennett:

Columbia Basin Trust supports the efforts of the people who live in British Columbia's Columbia Basin, working with them to deliver social, economic and environmental benefits to the region. This work is achieved through our Delivery of Benefits activities. It is also achieved through our Investment Program, which—in addition to providing revenue for Delivery of Benefits and corporate operations—extends ancillary benefits to the Basin, ranging from support for local employment and procurement to housing for seniors.

The Trust manages the initial endowments it received from the Province to generate a predictable income stream to fund both our corporate operations and Delivery of Benefit activities. Due to deliberate and prudent planning, resulting in the consistent performance of our Investment Program, the Trust was able to deliver a record $22 million in new funding benefits to the region in 2013/14—up from $19.3 million in the previous year. This growth isn't unique but rather a positive upward trend the Trust has been following for some time; over the past decade our average annual growth rate has been over 18 per cent.

In 2013/14 we focused on connecting with Basin residents in order to ensure we are considering their input as we make decisions and set priorities. This report's theme, "Connect," reflects our ongoing efforts to include the people of the Basin in planning for the management of Trust assets and to work with others to coordinate activities related to our purpose.

Performance Results

Total revenues in 2013/14 were $29.4 million, an increase of $3.7 million over 2012/13 and $3.4 million higher than forecasted in the *2013/14 – 2015/16 Service Plan*. A large portion of this increase was attributable to an increase in Power Projects revenue of $3.1 million and to our securities portfolio outperforming expectations by a significant margin.

Seventy-eight per cent of the Trust's revenues are derived from power investments, which are managed by our long-time partner Columbia Power Corporation. We experienced an 11.2 per cent annual return from Power Projects, which was higher than the 2012/13 return of 10.7 per cent and the long-term benchmark of 8.0 per cent.

The return on Private Placements was 6.1 per cent, below the long-term benchmark of 8.0 per cent but stronger than the 2.5 per cent return in 2012/13. The 2.5 per cent return in the prior fiscal year was largely a result of an impairment to a specific investment. No such impairment occurred in 2013/14.

The global economy remained somewhat volatile over 2013/14; however, performance trends were generally positive. The return on Market Securities was 14.2 per cent, exceeding the 7.8 per cent realized in 2012/13 and well above the 6.0 per cent long-term benchmark. All of our investments are long-term in nature and are intended to create value over time.

Because the Trust is accountable to Basin residents—and because we ultimately support the efforts of residents and the well-being of the region—our organization measures how perceptions of the Trust's effectiveness in the Basin change over time. The Trust has completed a survey process twice: first in 2010/11—which established the baseline—and again in 2012/13, at which time 74 per cent of residents and 94 per cent of partners surveyed agreed that the Trust is making a positive difference in their communities. The Trust is

The Nelson and District Youth Centre hired a college practicum student through the Trust's School Works Program.

planning to assess these perceptions again in fall 2014.

To provide insight into whether our corporate operations are effectively supporting our Delivery of Benefits activities and Investment Program, baseline measures were established in 2010/11. For 2013/14 the Trust's maturity of planning practices reflected the fact the organization has developed higher-level plans but needs to more closely integrate those plans with its ongoing operations and resource allocations. For maturity of risk management practices, the Trust has reached a level at which it has identified corporate risks and developed some strategies to address them but still needs to better articulate its overall tolerances for risk and to implement a formal enterprise-wide risk management system. Both of these outcomes were consistent with the Service Plan targets.

Expenses for corporate operations were under budget by $366,000. This variation was partly due to our continuing efforts to actively manage corporate administration costs and maintain tight financial oversight, plus due to a delay in hiring a staff position.

Highlights

A key principle of the Trust is engagement. This principle is identified in the 1997 *Columbia Basin Management Plan Charter* as a core value, and it is one we take seriously. The Trust was created as a result of the actions of the residents of the Basin, in partnership with the Province of British Columbia, and we are therefore committed to seeking residents' input to guide our priorities and inform our decisions.

As part of that commitment to engagement, in 2013/14 we focused on consulting with Basin residents in a variety of ways to help us set priorities at an operational level and a strategic level.

In May and June 2013 we used an online tool called ThoughtStream to solicit Basin residents' input to identify issues in our region. Close to 1,400 residents participated, answering six questions about economic, social and environmental well-being. This information is one form of input that will help guide the Trust as we set our priorities for the future.

To shape our new *Environment Strategic Plan*, in 2013 the Trust connected extensively with Basin residents through workshops, meetings and an online survey to determine the priority issues that were affecting the Basin's environmental well-being. Environmental experts and a range of organizations were then engaged to help develop the most meaningful roles the Trust should play in order to address the themes that emerged. The plan is now complete and will guide our water and environment initiatives from 2014 to 2019. It sets goals in five areas: water, ecosystems, climate change, environmental education and helping to strengthen organizations that focus on the environment.

Our Community Initiatives Department, which works with geographic communities, also engaged with Basin residents to develop its five-year strategic plan. This plan will be put into action starting in 2014 and focuses largely on ways the Trust can work with communities to foster collaboration, build capacity and provide financial support.

Our Sector Initiatives Department also began the process of renewing a five-year strategic plan to guide the Trust's support in the social sector. Through a variety of means, staff began reaching out to communities and the sector to receive direct feedback on what the key issues are and how the Trust can best effect change.

The Columbia Basin Symposium—hosted by the Trust in Creston from October 18 to 20, 2013—was another opportunity to connect. These symposia take place every three years, and the theme for the 2013 event was "Community Change Through Collaborative Action." As the Trust's revenues are forecast to increase over the next three years, we took advantage of this event to begin to speak with residents about how these revenues should be used to best meet our mandate of supporting well-being in the Columbia Basin. These discussions will continue throughout 2014.

Finally, as a culmination of extensive engagement that started in 2011, we launched our new visual identity—an updated way of conveying what we do and what we stand for. In particular we came to realize the essence of Columbia Basin Trust revolves around "trust," a word that has now become the focal point of our visual identity.

In addition to connecting with residents, the Trust helped support Basin communities in other significant ways. For example in 2013/14 we:

- approved the Columbia Basin Broadband Corporation (CBBC) business plan and a five-year funding commitment of $6.5 million. CBBC works with communities to bring open-access, high-speed broadband throughout the Basin.
- committed to four additional regions with our Community-Directed Funds program, which provides them with a multi-year commitment of funds and the ability to set priorities and make their own decisions on how to allocate those funds. The regions are: Slocan Valley, the Lower Columbia area, Creston and district, and Central East Kootenay.
- committed $375,000 to help the Nature Conservancy of Canada acquire the 151-hectare Frog Bear Conservation Corridor Phase 2 and $110,000 to help the Nature Trust of BC acquire the two-hectare Wigwam Flats Lot 3.
- provided $500,000 for the Columbia Basin Water Smart Initiative to support communities in continuing to make progress toward their goal of achieving a 20 per cent reduction in community water use by 2015.
- committed $1 million to Selkirk College to go toward upgrades and enhancements to its Silver King trades campus in Nelson.
- approved $275,000 to support the Invest Kootenay Partnership for three years to help communities attract, retain and expand investment.
- committed nearly $2 million over three years to the Basin Business Advisors program to continue to build economic capacity in Basin communities. Now delivered by Community Futures, the program has been expanded to support all business models including social enterprises, plus offers additional services like pre-start-up entrepreneurial education.
- continued to support residents' efforts to improve well-being in their communities through various granting programs. This included $750,000 under the Environmental Initiatives Program, $1.5 million under the Social Grants Program, $240,000 to youth projects and $2.4 million under the Community Development Program.

We also took a number of steps to enhance the effectiveness of our operations. For example we:

- completed organization-wide risk registers, which identify possible risk events that may occur and offer strategies that reduce the likelihood or impact of their occurrence.
- devoted resources to develop and implement new software that will support and integrate processes between Delivery of Benefits program areas and finance areas.
- continued to ensure ongoing financial compliance of projects that receive funding from the Delivery of Benefits program areas, with six projects selected for audit.
- completed internal audit projects: an assessment of succession planning practices

and an assessment of the development and implementation of a large-scale software project.

- evaluated our Information Technology Department's human and technical resources, as well as strategies and policies, to ensure the Trust has the appropriate infrastructure in place to support future organizational growth.
- evaluated the Trust's compliance with the *Freedom of Information and Protection of Privacy Act* and instituted an enhanced policy and operational framework to ensure ongoing compliance.

Outlook

As always we will continue to strengthen our existing programs, initiatives and partnerships and explore new avenues to deliver benefits.

We will seek extensive public input to ensure our future operations continue to support the well-being of Basin residents. Although the impetus for engaging with residents is the expected doubling of our revenue in the next three to five years, engagement will focus on how our staff, programs and processes can best support communities and residents into the future while adhering to the Trust's *Charter* and existing plans.

Construction of the Waneta Expansion Project is on time and on budget, with completion scheduled for spring 2015. When this project enters commercial operation and a new power sales agreement comes into effect at Arrow Lakes Generating Station in early 2016, returns from power projects should increase significantly. Our investments in private placements and market securities should also meet long-term expectations.

For the rest of 2014 and into 2015 we plan to:

- carry out three new internal audits: adherence with financial management policies, adherence with investment procedures and policies, and assessment of compliance with recently implemented procedures and policies concerning the *Freedom of Information and Protection of Privacy Act*.

More than 300 Basin residents connected with each other at Seeds for Success, the 2013 Columbia Basin Symposium, held in Creston from October 18 to 20, 2013.

- design a strategy and approach to implement a sustainable and organization-wide comprehensive records management program.
- develop an organization-wide business continuity plan, which will help assure the Trust and Basin residents that if disaster does occur, a plan is in place to prevent and minimize disruption to the Trust's business operations.
- redesign our website, which will allow us to be more responsive to the needs of Basin residents.

Acknowledgements

The Trust's achievements are a testament to the contributions of our dedicated partners, advisory committee members, staff and Board of Directors, who forge and maintain the connections that are essential for us to support communities striving to address their priorities. Our work is only possible because this dedicated and passionate group ensures we listen well, speak clearly with one voice and act in the interest of those we serve: the people of the Columbia Basin.

We also wish to acknowledge the committed volunteers throughout the Basin who work to strengthen their communities. We are honoured to be able to support them.

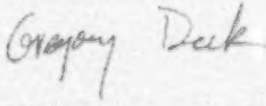
Accountability Statement

The *Columbia Basin Trust Annual Report 2013/14* was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The Board is accountable for the contents of the report, including what has been included in the report and how it has been reported.

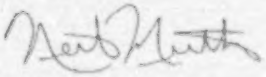
The information presented reflects the actual performance of the Trust for the 12 months ended March 31, 2014, in relation to the Service Plan published in June 2013.

The Board is responsible for ensuring internal controls are in place so that performance information is measured and reported accurately and in a timely fashion.

All significant assumptions, policy decisions, events and identified risks, as of June 14, 2014, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. This report identifies any changes in mandate direction, goals, strategies, measures or targets made since the *2013/14 – 2015/16 Service Plan* was released and identifies any significant limitations in the reliability of data.



Greg Deck
Chair, Board of Directors



Neil Muth
President and CEO

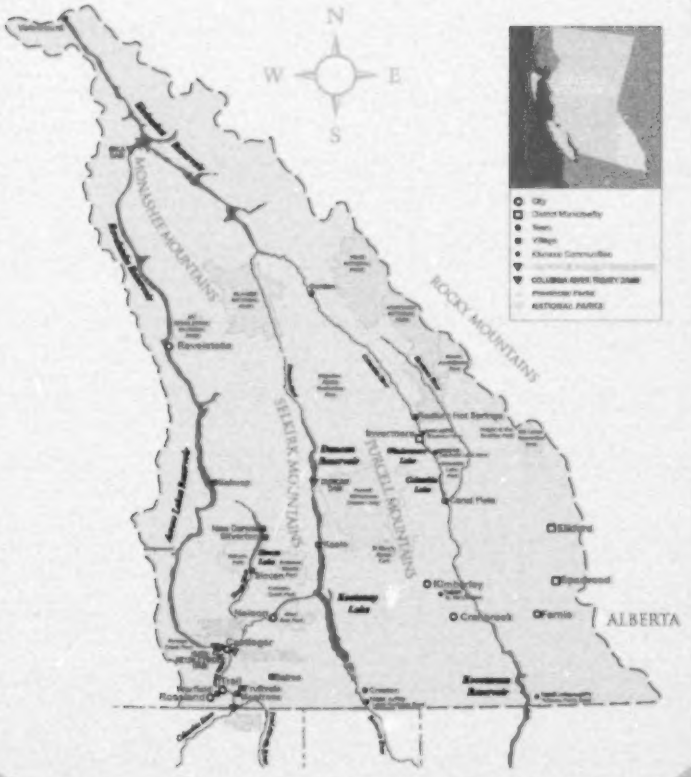
Organizational Overview

Mandate

The Trust is mandated under the *Columbia Basin Trust Act* to manage its assets for the ongoing economic, environmental and social benefit of the region, without relieving governments of any obligations in the region. The Trust is also mandated under the *Columbia Basin Management Plan* to include the people of the Basin in planning for the management of the assets and to work with others to coordinate activities related to the purpose of the Trust.

Mission

The Trust supports efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.



Vision

The Trust will work toward a long-term vision for the future of the Basin, where:

- the Basin is a place where social, economic and environmental well-being is fostered.
- collaborative relationships and partnerships are established across the Basin, communities work together in a spirit of mutual support and respect for each other's differences, residents identify with a Basin culture and feel a sense of belonging to a Basin community, and residents are involved in community decision making.
- a healthy environment is the basis for social and economic activities, and residents are committed to long-term and enduring stewardship of the Basin's natural resources.
- the economy of the Basin is diverse, resilient and energized; communities are responsive to both the needs of the present and the future; community enhancement initiatives are widely supported and residents share responsibility for their implementation; and practical and innovative investments in the Basin serve to increase the range of options for present and future generations.

The Trust will also be guided by a long-term vision of itself as a regional corporation, having:

- a successful portfolio of investments in the Basin that help stimulate the regional economy and provide a reliable stream of income for use in the Trust's Delivery of Benefits activities.
- a proven track record of delivering social, economic and environmental benefits to the Basin and its residents.
- well-established and productive working relationships with others in the Basin whose activities relate to the Trust's mandate.
- consistent and widespread public support for the Trust's activities, based on meaningful public input and the Trust's responsiveness to the needs of the Basin and its people.

Values

1. Respect: The Trust treats people with respect, welcoming varied perspectives and viewpoints and honouring the history of the Basin and the origins of the organization.
2. Accountability: The Trust is responsible for all of its actions and the results of those actions.
3. Transparency: The Trust maintains a high level of openness, sharing meaningful and accurate information about its actions.
4. Engagement: The Trust recognizes that active involvement in communities is critical to its overall success.
5. Empowerment: The Trust helps others make their own choices on issues that affect their futures, and see those choices result in positive outcomes.
6. Stewardship: The Trust manages all of its assets responsibly to ensure that both present and future generations of Basin residents benefit from those assets.

Core Functions

Formally established by the *Columbia Basin Trust Act* in 1995, the Trust serves the people who live in the Basin and assists communities in addressing their needs by:

- providing resources and funding.
- focusing on local priorities and issues.
- bringing people together around key issues.
- providing useful, credible, accessible information and expertise.
- encouraging collaboration and partnerships.
- seeking ongoing input from Basin residents.
- investing prudently in Basin power projects, businesses and real estate.

The Trust has two core functions:

1. Invest capital and manage the assets of the Trust.
2. Spend the income earned from the Trust's investments to deliver benefits to the Basin.

Upon creation, the Trust received endowments from the Province of British Columbia that represented a portion of the financial benefits resulting from the Columbia River Treaty. As a self-sustaining regional Crown corporation, the Trust manages these endowments through its Investment Program, which provides funding for its corporate operations and Delivery of Benefits activities.

The Trust operates out of four offices in the Basin: Castlegar, Cranbrook, Golden and Nakusp.

Investment Program

The purpose of the Trust's Investment Program is to prudently invest the endowments received from the Province, enabling delivery of long-term benefits to the Basin. The Trust's *Statement of Investment Policies and Procedures* (SIPP) provides the necessary guidance to generate a predictable, sustainable and appreciating income stream. The financial returns are then available to fund the Trust's current and future Delivery of Benefit obligations, corporate administration expenses and new investment opportunities.

The SIPP details three general categories of investments that the Trust will pursue:

1. Power Projects: Power projects located in the Basin.
2. Private Placements: Direct investments and loans to Basin-based commercial businesses and investments in real estate.
3. Market Securities: A diversified investment portfolio of publicly traded financial instruments, including bonds and equities.

Power Projects

The *Financing Agreement* with the Province of British Columbia committed the Trust to investigating three hydroelectric projects in the Basin region and—if investigations indicated commercial viability—to developing and operating these projects.

Two of these projects were developed in partnership with Columbia Power Corporation (Columbia Power) and the risks and returns are shared on a fifty-fifty basis. The third project, the Waneta Expansion Project, commenced construction in fall 2010. A new ownership model was adopted for this project, in which the Trust holds a 16.5 per cent interest in a partnership with Columbia Power (32.5 per cent) and Fortis Inc. (51 per cent). Given the overall size of the project, there was a need to sell the surplus capacity in order to make it financially viable. By entering into the partnership, the project benefited from the additional capital from Fortis Inc., as well as a long-term capacity purchase agreement with FortisBC.

The Trust and Columbia Power are also partners in another hydroelectric project, Brilliant Dam, which they purchased together on a fifty-fifty basis.

Brilliant Dam

In 1996 the Trust and Columbia Power purchased Brilliant Dam, located eight kilometres from Castlegar on the Kootenay River. The facility was purchased from Teck for $130 million and the partners invested a further $100 million to extend the life of the facility and increase generating capacity. Brilliant Dam generates enough power to supply 100,000 homes. The energy is sold to FortisBC under the terms of a 60-year contract.

Arrow Lakes Generating Station

In 2002 construction was completed on Arrow Lakes Generating Station, a two-turbine facility 400 metres downstream from existing Hugh Keenleyside Dam on Arrow Lakes Reservoir near Castlegar. The $300-million project makes use of water that would otherwise be spilled at Hugh Keenleyside Dam. Arrow Lakes Generating Station produces enough electricity to supply 75,000 homes. All the power is sold to BC Hydro under the terms of a 12-year agreement.

Brilliant Expansion

In 2007 construction was completed on Brilliant Expansion, located on the east bank of the Kootenay River downstream from Brilliant Dam near Castlegar. The $245-million project makes use of water that would otherwise be spilled at Brilliant Dam and generates enough power to supply 55,000 homes. Approximately 95 per cent of the electricity is sold under a long-term contract to BC Hydro and the remaining five per cent is sold on a shorter-term arrangement to FortisBC.

Waneta Expansion Project

The Trust and Columbia Power entered into a new partnership with Fortis Inc. to develop the Waneta Expansion Project a short distance from Trail near the U.S. border. Construction of the 335-megawatt facility commenced October 1, 2010, and is expected to take 4.5 years to complete. The expansion will generate enough power to supply 65,000 homes. All power from the project will be sold to BC Hydro, with surplus capacity sold to FortisBC.

Private Placements

Private Placements include all investments made in Basin-based commercial businesses or real estate. The Trust may invest by way of direct ownership (equity), business lending (loans) or a combination of these two structures. Private Placements are generally split into two categories:

1. Commercial Loans and Investments: In accordance with accepted market standards, the Trust invests directly in Basin-based businesses to generate financial returns consistent with the levels of risk assumed.
2. Real Estate Investments: The Trust has a 50 per cent ownership in eight seniors housing facilities located throughout the Basin, containing more than 830 living suites that offer a range of support services depending on the needs of the residents. The Trust has also added commercial real estate to the portfolio and expects to grow this over time.

Market Securities

This category includes a range of investments, such as publicly traded bonds and equities. The portfolio is managed by the British Columbia Investment Management Corporation on behalf of the Trust.

cbt.org/investments

In June 2013 the Trust helped celebrate the opening of 34 new residential care beds for seniors at Invermere's Columbia Garden Village.

Delivery of Benefits

Using the income earned from its Investment Program, the Trust develops, implements and manages programs and initiatives that respond to community and regional needs. This may be done either on its own or through partnerships with other organizations. Basin organizations and residents are engaged throughout the process, whether led by the Trust or partners. This work is referred to as Delivery of Benefits.

The Trust's strategic planning framework guides the development and implementation of activities and resource allocations, both in terms of staff time and funds for programs and initiatives. The strategic priorities in the *Columbia Basin Management Plan* provide a high-level road map that focuses the Trust's work in the Basin (cbt.org/strategicpriorities). Greater direction related to Delivery of Benefits strategic priorities is captured in sector-specific plans of three- to five-year durations. All plans are developed in consultation with Basin communities and residents.

Advisory committees also help establish the Trust's strategic direction within Delivery of Benefits and provide ongoing feedback on the Trust's work in the Basin. The Trust has three advisory committees in its core mandated areas of social, economic and environment, plus a program advisory group that provides advice on Youth Initiatives. Each of these volunteer committees plays an important role in providing community perspectives, sectoral expertise and strategic advice on the Trust's activities and priorities.

Delivery of Benefits funds are generally spent through:

- grants to a wide range of projects, administered either by the Trust itself or by sector or community partners.
- programs delivered by partners, which address specific needs linked to the Trust's strategic objectives.
- partnerships with organizations that have complementary objectives and expertise in particular issues or sectors, through which the Trust and the partners work toward attaining common goals.
- facilitation and support of community or regional discussions on issues of importance; the Trust often brings together Basin residents to provide information on an issue or to facilitate dialogue on how to address that issue.

Almost 1,400 people participated in the Trust's ThoughtStream process, which was used to solicit Basin residents' input to identify issues in the region.

Corporate Governance

Board of Directors

The Trust's 12-member Board of Directors consists of one nominee from each of the five regional districts, as well as the Ktunaxa Nation Council (KNC). Regional governments and the KNC nominate these directors to the provincial government and the appointments are made by the Lieutenant-Governor through an order-in-council. The other six directors are appointed directly by the Province. All 12 directors must be residents of the Basin.

For more information on the Trust's Board or governance processes and policies, visit cbt.org/governance. All Board-approved processes and policies are generally disclosed in accordance with the Board Resourcing and Development Office's disclosure requirements for Crown corporations. As new governance policies and processes are approved by the Board, these are also appropriately disclosed.

Governance Principles

In governing the Trust, the Board is committed to upholding the core values of the Trust established in the *Columbia Basin Management Plan* and acting in accordance with the following principles:

- Preparation: Directors will ensure they are fully prepared to address the business of the Trust.
- Transparency: To the greatest extent possible, the actions and decisions of the Trust, including those of the Board, will be transparent and open to Basin residents.
- Participation and Commitment: Directors will ensure they participate fully as directors and are capable of meeting their commitments to the Trust.
- Service: The Board will act in the best interests of the Trust, which serves the Basin region as a whole.

Trust Board of Directors

Back row from left to right: Kim Deane, Greg Deck (Chair), Wendy Booth, Paul Peterson, Am Naqvi.

Middle row from left to right: Rick Jensen, Cindy Gallinger, Gord DeRosa, David Raven, Andru McCracken.

Front row from left to right: Denise Birdstone, Laurie Page (Vice-Chair).

Trust Board Committees and Membership as of March 31, 2014		
	Executive Committee	**Finance and Audit Committee**
Trust Board committees address issues on behalf of the Board and report back to the Board on a regular basis. Committees assess their performance against their terms of reference annually. The Chair of the Board is the Executive Committee Chair and an ex-officio and voting member of all other Board committees.	Acts on behalf of the Board between Board meetings, ensures that appropriate governance policies and practices are developed and implemented, ensures that a human resources framework is developed and maintained and addresses any other matters referred to it by the Board.	Assists the Board in fulfilling its financial accountability and oversight responsibilities by ensuring the accuracy and integrity of the Trust's financial information, monitoring systems of internal controls and overseeing the internal and external audit processes.
	Greg Deck, Chair	Am Naqvi, Chair
	Kim Deane	Gord DeRosa
	Am Naqvi	Kim Deane
	Laurie Page	Laurie Page
	David Raven	Andru McCracken
Investment Committee	**Sector Initiatives Committee**	**Community Initiatives Committee**
Assists the Board in fulfilling its oversight responsibilities related to the governance and management of the Trust's portfolio of investments.	Assists the Board in fulfilling its oversight responsibilities related to the governance and management of sector-based programs, initiatives and activities. *Note:* This committee commenced in July 2013.	Assists the Board in fulfilling its oversight responsibilities related to the governance and management of community-based programs, initiatives and activities. *Note:* This committee commenced in July 2013.
Rick Jensen, Chair	Kim Deane, Chair	Denise Birdstone, Chair
Denise Birdstone	Wendy Booth	Cindy Gallinger
Wendy Booth	Gord DeRosa	Andru McCracken
Paul Peterson	Rick Jensen	Am Naqvi
Cindy Gallinger	Laurie Page	Paul Peterson
David Raven	David Raven	

Executive Management Committee

- Neil Muth, President and CEO.
- Johnny Strilaeff, Vice-President and COO.
- Kindy Gosal, Director, Special Initiatives.
- Sabrina Curtis, Director, Sector Initiatives.
- Wayne Lundeberg, Director, Planning and Evaluation, and Acting Director, Community Initiatives.
- Frances Maika, Acting Director, Communications.

Board of Trust Subsidiaries

Subsidiary Holding Companies

For commercial and legal reasons, the Trust has a number of subsidiaries that hold its interests in investments. The boards of these subsidiaries do not address policy matters. Directors of these holding company subsidiaries consist of Trust senior management Neil Muth, President and CEO, and Johnny Strilaeff, Vice-President and COO. None of these subsidiary holding companies has employees.

- CBT Commercial Finance Corp. holds the Trust's interests in Commercial Loans and Investments.
- CBT Real Estate Investment Corp. holds the Trust's interests in Real Estate Investments and its Castlegar office building.
- CBT Energy Inc. (CBTE) is the main Trust subsidiary related to Power Projects.
- CBT Arrow Lakes Power Development Corp. is a subsidiary of CBTE and holds the Trust's interest in the Arrow Lakes Generating Station joint venture with Columbia Power.
- CBT Brilliant Expansion Power Corp. is a subsidiary of CBTE and holds the Trust's interest in the Brilliant Expansion joint venture with Columbia Power.
- CBT Power Corp. is a subsidiary of CBTE and holds the Trust's interest in the Brilliant Dam joint venture with Columbia Power.
- CBT Waneta Expansion Power Corp. is a subsidiary of the Trust that holds interests in the limited partnership and in the general partnership formed to complete the Waneta Expansion Project.
- CBT Property Corp. is a subsidiary of the Trust that holds its corporate real estate (the Trust's Golden office building).

Operating Subsidiaries

The Columbia Basin Broadband Corporation is an active operating subsidiary of the Trust and was formed with a mission to provide connectivity to a world-class open access broadband network across the Basin. It operates out of the Trust's offices in the Basin. The Board consists of Kim Deane, Greg Deck, Garry Merkel and Ron Miles. Jim Miller resigned in 2013/14 and the appointment of a replacement remains under consideration.

Thirty-seven projects were selected to receive support during the fall 2013 intake of the Trust's Environmental Initiatives Program, including ones that focus on endangered species and their habitats.

The Province of British Columbia and the Trust

The *Columbia Basin Trust Act* establishes the Province of British Columbia as the shareholder of the Trust. Within the provincial government, the Minister of Energy and Mines and Responsible for Core Review is responsible for the Trust. The respective roles and responsibilities of the provincial government and the Trust are established in numerous agreements and legislation, including the *Financial Agreement* and the *Columbia Basin Trust Act*. The *Government's Letter of Expectations* (GLE), signed September 2012, further defines the roles and responsibilities of the Minister of Energy and Mines and Responsible for Core Review and the Trust. The Trust and the Province continue to discuss a Memorandum of Understanding that further describes and balances the Trust's accountability to Basin residents with its accountability to the Province as the shareholder. cbt.org/gle

Corporate Accountabilities	Trust Alignment
Support the efforts of Basin residents and communities to strengthen the social, economic and environmental well-being in the region through Delivery of Benefits activities and effective stewardship of the Corporation's resources.	A range of social, economic, environmental, youth, water and community related initiatives have been supported over the fiscal year. The Trust has stewarded its resources such that it is fully able to fund Delivery of Benefits activities in the Basin.
Manage its investments in a manner consistent with its Board-approved ***Statement of Investment Policies and Procedures*** such that the Corporation can fund current and future Delivery of Benefits activities and corporate operations.	The Trust has managed its investments in a manner consistent with the ***Statement of Investment Policies and Procedures***. It is able to fully fund current Delivery of Benefits activities and corporate operations, and anticipates being able to do the same in the future.
Report on performance measures that demonstrate levels of success achieved during the reporting year. This includes ensuring directors nominated by regional districts and the tribal council pursuant to the ***Columbia Basin Trust Act*** report on the Corporation's activities to their respective nominating bodies.	The Trust reports on its performance measures in its Annual Report and offers to review its activities with the regional districts and Ktunaxa Nation Council.
Ensure that it does not purport to represent the Government in any statements or matters of an interprovincial, federal-provincial or international nature.	The Trust has not purported to represent the Government in any matters.
Ensure that residents and stakeholders in the Columbia Basin have opportunities to consult, collaborate, engage and partner on projects that deliver economic, environmental and social benefits to residents and communities in the Columbia Basin.	Strategic plans for the Delivery of Benefits are developed in consultation with Basin residents and communities. The Trust engages regularly with advisory committees made up of Basin residents who volunteer their time to provide advice to the Trust on the Delivery of Benefits. The Trust partners with a wide variety of community organizations.
Comply with requirements to be carbon neutral under the ***Greenhouse Gas Reduction Targets Act***, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from the Corporation's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in Pacific Carbon Trust.	Complied with requirements and continued to implement the ***Carbon Neutral Action Plan*** into Trust operations. cbt.org/cnar

Report on Performance

Investment Program

Highlights

The first three and a half years of construction of the Waneta Expansion Project have progressed well. The project remains on time and within budget, while at the same time maintaining a strong commitment to worker safety and the environment. Completion is expected by spring 2015.

Efforts to expand and enhance the Trust's referral network of financial and business contacts in the region resulted in growth of the Private Placements portfolio by 11.5 per cent, to $27.2 million. A total of 30 opportunities were evaluated over the course of the year and 28 were either approved for investment or referred to other investors.

The Waneta Expansion Community Impact Management Committee toured one of the penstock tunnels in February 2014.

Investment Program Goal 1

Generate a predictable, sustainable and appreciating income stream to fund Delivery of Benefits obligations and corporate administration expenses.

Strategies

1. Communicate directly with financial partners throughout the Basin in order to originate high-quality investment opportunities.
2. Develop strong working relationships with the management of companies in which the Trust has invested in order to fully appreciate risk, as well as uncover future opportunity.
3. Identify and develop investment opportunities that target areas of quality risk not otherwise addressed by conventional lenders.
4. Remain fully engaged with the management of Columbia Power Corporation (Columbia Power) and Fortis Inc. during the pre-development and operating phases of its jointly held power projects.

MEASURES		Results 2011/12	Results 2012/13	Service Plan Forecast 2013/14	Results 2013/14	Targets 2014/15	Targets 2015/16	Targets 2016/17
Power Projects	1 Year	10.1%	10.7%	9.5%	11.2%	8.0%	8.0%	8.0%
	3 Year	8.4%	9.3%		10.6%			
	5 Year	7.7%	8.5%		9.4%			
	10 Year	6.7%	6.8%		7.2%			
	Inception	5.7%	6.0%		6.4%			
Private Placements	1 Year	7.3%	2.5%	6.5%	6.1%	8.0%	8.0%	8.0%
	3 Year	7.8%	6.0%		5.3%			
	5 Year	8.7%	6.7%		6.4%			
	10 Year	2.9%	2.4%		6.4%			
	Inception	2.4%	2.4%		3.1%			
Market Securities	1 Year	1.6%	7.8%	7.0%	14.2%	6.0%	6.0%	6.0%
	3 Year	10.6%	6.4%		7.7%			
	5 Year	-	-		10.7%			
	10 Year	-	-		-			
	Inception	3.1%	3.9%		5.7%			

Interest rates remain near historic lows and this has a negative impact on investment returns from lending activities. The low interest rates do, however, enhance returns for projects for which the Trust borrows to make an investment. The most significant example of these benefits is realized at the seniors housing facilities. In 2013/14 the Trust renegotiated borrowing rates at two of the facilities, resulting in the rates falling by 1.9 per cent. Comparable benefits are anticipated when renegotiating loan rates on three more facilities in 2014/15.

The Trust's *Statement of Investment Policies and Procedures* (SIPP) provides the framework for its long-term Investment Program strategy. The SIPP was originally approved by the Board in 2007 and is subject to review every two years.

The policies continue to provide a robust framework for the Investment Program.

Measures

Each of the Trust's three categories of investment has a distinct risk and return profile, so the Trust has adopted three different performance measures to reflect these differences. These measures have been in the SIPP since July 2007 and set ongoing targets for each category of investment.

1. Power Projects: 8 per cent calculated as a Cash-based Return on Investment.
2. Private Placements: 8 per cent calculated as a Cash-based Return on Investment.
3. Market Securities: 6 per cent calculated as a Return on Investment.

Using a Cash-based Return on Investment methodology for Power Projects and Private Placements allows the Trust to clearly link returns from these investments to cash available for Delivery of Benefits activities and corporate administration expenses. The Trust has adopted a Return on Investment methodology for the Market Securities portfolio that includes cash returns, as well as increases or decreases in the value of the market securities themselves. The Global Investment Performance Standards, as adopted by the CFA Institute, are the basis for this methodology, and the calculation is completed by the Trust's external investment manager, the British Columbia Investment Management Corporation.

In the case of Power Projects, there are a number of agreements between the Trust, the Province of British Columbia and Columbia Power that make it difficult to reconcile performance with that observed in the private market. A similar issue arises with Private Placements, as the Trust must only invest in commercial opportunities in the Basin. Despite these challenges and difficulty in benchmarking performance to other organizations, the Trust arrived at an 8 per cent performance target for both Power Projects and Private Placements.

The Market Securities category allows for easier market comparison, as there are a number of public investment portfolios of comparable risk. The Trust established a 6 per cent performance target based on a review of similarly constructed portfolios, combined with an assessment of historical returns observed in the general marketplace.

These three targets remain the same throughout the Service Plan period of 2014/15 to 2016/17. Looking forward the Trust will be investigating the target return for Power Projects. With the completion of the Waneta Expansion Project and a new power sales agreement at Arrow Lakes Generating Station, returns from Power Projects are anticipated to increase. The current 8 per cent may no longer be appropriate should these increases be realized.

Results

All values used in the calculation of investment returns for Power Projects and Private Placements were obtained from the Trust's 2013/14 audited financial statements. Returns were calculated by accounting staff and reviewed by investment staff. Returns for Market Securities were calculated by the British Columbia Investment Management Corporation in accordance with the Global Investment Performance Standards as adopted by the CFA Institute.

Power Projects

The annual return on Power Projects was 11.2 per cent for 2013/14, compared with the *2013/14 – 2015/16 Service Plan* forecast of 9.5 per cent. Hydroelectric power projects remain the largest contributor to the Trust's investment portfolio and performance exceeded original forecasts due to better-than-anticipated reliability at each of the projects. When the Waneta Expansion Project comes into commercial operation (expected in spring 2015) and a new power sales agreement comes into effect at

Arrow Lakes Generating Station in early 2016, returns should increase significantly.

Arrow Lakes Generating Station

Arrow Lakes Generating Station generated a small profit of $67,000 in 2013/14. In April 2011 a $350-million financing was closed in order to raise the funds required for the construction of the Waneta Expansion Project. The reason for the small return is the increased interest expense associated with this borrowing. This was part of a broader financing plan and the nominal gains experienced at Arrow Lakes were expected and planned for. All power generated at Arrow Lakes Generating Station is sold to BC Hydro under the terms of a 12-year contract that matures in 2015. In order to secure the financing required for the Waneta Expansion Project, a 30-year extension of the agreement was negotiated with BC Hydro, scheduled to commence January 1, 2016.

Brilliant Dam

Brilliant Dam generated returns of $10.3 million in 2013/14. Results were slightly better than in 2012/13, with revenue from energy sales increasing and interest costs on long-term debt decreasing. Notwithstanding that Brilliant Dam is the oldest of the Trust's power investments, the project continues to perform well, largely as a result of major refurbishments and an ongoing commitment to preventative and reliability maintenance.

Brilliant Expansion

Brilliant Expansion generated returns of $11.3 million in 2013/14. Approximately $3 million of this amount was received under the federal EcoEnergy Program. Brilliant Expansion also performed better than anticipated as a result of fewer unplanned outages and generally stronger reliability.

Private Placements

The return on Private Placements was 6.1 per cent, as compared to the 2.5 per cent earned in 2012/13 and the Service Plan forecast of 6.5 per cent. In 2012/13, an investment impairment of $1.4 million negatively impacted returns. No such impairment was required in 2013/14. This category of investment includes the Trust's investment in Real Estate and Commercial Loans and Investments, as detailed below.

Commercial Loans and Investments

The return on Commercial Loans and Investments was 4.3 per cent, well above the negative 2.4 per cent in 2012/13. This increase is largely due to the absence of any impairment to the value of the portfolio (as was the case in 2012/13). Overall investment balances increased to $27.2 million, from $24.4 million in 2012/13, and this positive trend is anticipated to continue into 2014/15. A total of 30 opportunities were reviewed and the Trust approved $13.8 million in new investment.

Real Estate Investments

The return of 8.7 per cent from Real Estate Investments was relatively unchanged from the 8.8 per cent generated in 2012/13. The Trust's portfolio of seniors housing facilities and the new investment in commercial real estate are significant contributors to the Investment Program. The low market rates have had a positive impact on the real estate portfolio, as a combination of equity and debt is used to fund the construction and/or purchase of real estate.

Market Securities

Market performance was generally positive in 2013/14 and as a result the Market Securities portfolio return grew to 14.2 per cent, as compared to 7.8 per cent in 2012/13 and the 7.0 per cent forecast in the Service Plan. Domestic and international equity markets experienced strong gains and a depreciating Canadian dollar relative to the U.S. further enhanced returns. All of the Trust's investments are long-term in nature and are intended to create value over time.

Delivery of Benefits

Highlights

In 2013/14 the Trust delivered $22 million in new funding benefits within the Basin through a variety of projects, programs and initiatives. Highlights from the year are numerous. For example the Trust:

- approved the Columbia Basin Broadband Corporation (CBBC) business plan and a five-year funding commitment of $6.5 million. CBBC works with communities to bring open-access, high-speed broadband throughout the Basin.
- committed four additional regions to the Community-Directed Funds program, which provides them with a multi-year commitment of funds and the ability to set priorities and make their own decisions on how to allocate those funds. The regions are: Slocan Valley ($300,000 over three years); the Lower Columbia area ($600,000 over three years); Creston and district ($600,000 over three years); and Central East Kootenay ($600,000 over three years).
- committed $375,000 to help the Nature Conservancy of Canada acquire the 151-hectare Frog Bear Conservation Corridor Phase 2 and $110,000 to help the Nature Trust of BC acquire the two-hectare Wigwam Flats Lot 3.
- provided $500,000 for the Columbia Basin Water Smart Initiative to support communities in continuing to make progress toward their goal of achieving a 20 per cent reduction in community water use by 2015.
- committed $1 million to Selkirk College to go toward upgrades and enhancements to its Silver King trades campus in Nelson.

Delivery of Benefits Goal 2

Deliver benefits that serve to strengthen the social, economic and environmental well-being of the Basin, its residents and communities.

Strategies

1. Encourage long-term stewardship of the Basin's natural assets and help build the ability to take action to meet environmental challenges.
2. Actively foster and support local and regional economic resiliency and well-being.
3. Help communities respond to social issues and make social considerations part of strengthening community well-being.
4. Work with communities and youth to enhance youth opportunities and engagement.
5. Support Basin residents to increase their awareness and understanding of water issues, and take steps to address issues.
6. Support local communities and regions in identifying and meeting their priorities.

MEASURES	Results	Results	Service Plan Forecast	Results	Targets		
	2011/12	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17
Assessment by Basin Residents of the Trust's Effectiveness	N/A	74%	N/A	N/A	Over 70%	N/A	Over 70%
Assessment by Trust Partners of the Trust's Effectiveness	N/A	94%	N/A	N/A	Over 90%	N/A	Over 90%

- approved $275,000 to support the Invest Kootenay Partnership for three years to help communities attract, retain and expand investment.
- committed nearly $2 million over three years to the Basin Business Advisors program to continue to build economic capacity in Basin communities. Now delivered by Community Futures, the program has been expanded to support all business models including social enterprises, plus offers additional services like pre-start-up entrepreneurial education.
- continued to support residents' efforts to improve well-being in their communities through various granting programs. This included $750,000 under the Environmental Initiatives Program, $1.5 million under the Social Grants Program, $240,000 to youth projects and $2.4 million under the Community Development Program.

During 2013/14, the Trust developed its new *Environment Strategic Plan 2014 – 2019*. This was accomplished by connecting with Basin residents through workshops, meetings and an online survey. Environmental experts and a range of organizations also provided input. The Trust's Community Initiatives Department, which works with geographic communities and local governments, also engaged with Basin residents to develop its five-year strategic plan. It will be implementing this plan over the coming years.

Our Sector Initiatives Department also began the process of renewing a five-year strategic plan to guide the Trust's support in the social sector. Through a variety of means, staff began reaching out to communities and the sector to receive direct feedback on what the key issues are and how the Trust can best help to impact change.

Measures

Measuring the Trust's Delivery of Benefits performance is a challenge, given that the organization has a broad mission and mandate, that it plays a variety of roles (e.g. funder, facilitator, information resource) and that its activities often have qualitative, as opposed to quantitative, outcomes.

Because the Trust is accountable to Basin residents—and because it ultimately supports efforts of residents and the well-being of the region—the organization measures Basin residents' perceptions of the Trust. Using a multi-year approach, the Trust is able to track results at a specific point in time, plus compare years to see how perceptions change over time.

The particular question the Trust asks residents is whether they feel the Trust is making a positive difference in their lives and communities. This gives the Trust meaningful feedback on whether its key stakeholders feel the organization is fulfilling its mission. It also helps the Trust understand the impacts of its range of roles and its overall effectiveness.

The Trust also measures its performance by assessing the perceptions of its partners: Do partners feel the Trust is making a positive difference in their communities? The Trust has many partners, including local governments, regional non-profit bodies and organizations that have similar mandates. The Trust engages with its partners regularly to explore opportunities for collaboration, and these partners are the conduits through which numerous programs and initiatives are delivered to residents.

The Trust uses an independent market research firm for this assessment, and the survey is repeated every two years to allow sufficient time for residents and partners to work with the Trust and for the Trust to complete additional work related to its strategic priorities.

The Trust also takes more frequent steps to monitor the diversity of roles it plays and the range of outcomes it strives to attain. It continues to develop performance measures and success indicators for key initiatives and partnerships. The Trust also continues to evaluate its programs and initiatives, typically

via external consultants who use a range of data collection and stakeholder engagement methods. Throughout the year the Trust's Board can then view how the organization's progress compares to its strategies and identify opportunities for improvement.

Results

The Trust first measured Basin residents' and partners' perceptions in late 2010 and repeats that exercise every two years. The Trust has completed the survey process twice: the first time in 2010/11—which established the baseline—and again in 2012/13.

In 2012/13, 86 per cent of residents indicated they had at least some familiarity with the Trust, of whom 74 per cent either strongly agreed or somewhat agreed that the Trust is making a positive difference in their communities. Of the Trust partners, 94 per cent indicated they either agreed or somewhat agreed that the Trust was making a positive difference in their communities.

The Trust is planning to assess these perceptions again in fall 2014.

The descriptions of these measures can be viewed online in Appendix 2 of the *2014/15–2016/17 Service Plan* at cbt.org/serviceplan.

Corporate Operations

Highlights

The Trust continued to advance the maturity of internal risk management practices by completing organization-wide risk registers in core organizational areas. The risk registers identified possible risk events that may occur and mitigation strategies were developed to reduce the likelihood or impact of their occurrence. The process of developing departmental risk registers 1) effectively engaged employees in key business risks of their individual departments and 2) ensured that the Trust was continuing to manage overall organizational risk. The departmental risk registers will be reassessed regularly by senior management and the organizational risk register will be assessed and reviewed annually by the Board. The Trust will continue to advance its risk management framework over 2014/15 with the development of an organization-wide business continuity plan.

Organization-wide resources were put to work over the year to help develop and implement new software that will be used to support and integrate processes between Delivery of Benefits program areas and finance areas. This new software is expected to substantially increase the effectiveness and efficiency of administration within Delivery of Benefits, forecasting,

The Golden Food Bank Society's food recovery program was one of 32 projects approved to receive nearly $1 million during the winter 2013/14 intake of the Trust's Social Grants Program.

Corporate Operations Goal 3							
Support and enable the effective management of the Investment Program and Delivery of Benefits programs and initiatives.							
Strategies							
1. Develop a formal risk management framework. 2. Review and implement improvements to the various business processes that support the Trust's activities, including processes related to contract management, records management and information management systems. 3. Ensure the Trust is viewed as an employer of choice, including by developing human resources strategies and supports, such as an individualized employee performance framework and appropriate benefits. 4. Implement appropriate sustainability principles and practices in the Trust's everyday activities, including through the execution of a corporate carbon neutral action plan.							
MEASURES	**Baseline**	**Results**	**Service Plan Forecast**	**Results**	**Targets**		
	2011/12	**2012/13**	**2013/14**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Maturity of Planning Practices	3	3	3	3	3.5	4	4
Maturity of Risk Management Practices	2.5	2.5	3	3	3.5	4	4
Budget Variance for Corporate Operations	(5.3%)	(5.3%)	(5.5%)	(5.8%)	Under 5%	Under 5%	Under 5%

budgeting, accounting and relationship management. This new system is expected to be fully operational in spring 2014.

The Trust ensured ongoing financial compliance of projects that receive funding from the Delivery of Benefits program, with six projects selected for audit. The audits are performed by an external accounting firm, with each project selected tested for instances of non-conformance with the Trust agreement. Also, a financial audit is performed on the project costs. Final reports on these six projects are expected by September 2014.

The firm Ernst & Young completed three internal audit projects from the Board-approved plan. The two main projects were an assessment of succession planning practices and an assessment of the development and implementation of a large-scale software application. Three new assurance audits were approved for 2014/15: adherence with financial management policies, adherence with investment policies and procedures, and compliance with recently implemented policies and procedures concerning the *Freedom of Information and Protection of Privacy Act*.

The Trust finalized a branding initiative that updated the visual components that represent who it is, what it does and who it does it for. The new brand better reflects and supports the Trust and resonates with staff and Basin residents. A new visual identity logo was announced in October 2013 and, while it consists of green and blue colours similar to the Trust's previous logo, the identity now focuses on the word "trust." The new visual identity will continue to be rolled out over 2014.

A comprehensive evaluation of the Trust's Information Technology department's human and technical resources, as well as strategies and policies, was undertaken to ensure the Trust has the appropriate infrastructure in place to

support future organizational growth. As a result of this assessment, the Information Technology Department has undergone significant change and is better positioned to support the organization now and into the future.

The Trust's focus in 2014 will be to continue to advance its risk management and records management practices. The Trust recently engaged an external consultant to design a strategy and approach to implementing a sustainable and organization-wide comprehensive records management program. This work is expected to commence in May 2014 and be completed over a two-year period.

In the event of a disaster, the Trust wants to ensure that business continuity is maintained. In summer 2014 the development of an organization-wide business continuity plan will commence. This plan will help assure the Trust and Basin residents that if the worst does occur, a plan is in place to prevent or minimize disruption to the Trust's business operations.

Measures

In 2010/11 the Trust introduced three measures that help it track how effective and efficient its operations are.

Maturity of Planning Practices

By annually assessing the maturity of its planning practices, the Trust ensures that planning (including prioritization, business and operational planning and the allocation of resources) is fully indoctrinated within the organization.

Maturity of Risk Management Practices

By annually assessing the maturity of its risk management practices, the Trust ensures the organization is making progress toward developing and implementing an enterprise-wide risk management framework.

Both planning and risk management practices are assessed against a set of descriptions representing four levels of attainment, from level one (absent or immature practices) to level four (a fully mature state with widespread adoption and implementation of practices). Current levels of maturity and targets are discussed and approved by the Board.

Average Budget Variance and Contributing Factors

By measuring budget variances for administration expenses, the Trust assesses its ability to forecast appropriately and set realistic budgets, as well as manage its resources effectively over the course of the fiscal year.

Budget variance is calculated as the difference between the budget, approved by the Trust's Board each January of the preceding year, and actual results, as reported in the Trust's consolidated financial statements at the fiscal year-end. Targets are established by reviewing historical performance and budget variances, considering the degree of actual costs that could reasonably be expected to deviate from the budget and, most importantly, assessing the Trust's tolerance for budget variances.

Results

For 2013/14 it was determined the Trust had attained a level three for maturity of planning practices, meaning the organization has developed higher-level plans but needs to more closely integrate those plans with its ongoing operations and resource allocation. This is consistent with the forecast in the Service Plan.

For maturity of risk management practices, a level of three was attained, meaning the organization has identified corporate risks and developed some strategies to address them, but still needs to better articulate its overall tolerances for risk and implement a formal enterprise-wide risk management system. This is consistent with the forecast in the Service Plan.

With support from the Trust, Castlegar's Hospital Auxiliary Treasure Shop expanded so it could sell larger items like furniture—and in turn provide more benefits to the community.

In winter 2013/14, 15 projects that benefit Basin youth were approved to receive funding from the Trust's Youth Grants Program.

Total administration expenses were under budget by $366,000, partly due to continuing efforts to actively manage corporate administration costs and maintain tight financial oversight, plus to a delay in hiring a staff position. This resulted in a 5.8 per cent variance as compared to the 5.5 per cent variance set as the Service Plan forecast. This variance is a reflection of actual costs coming in below originally established budgets. In the past the Trust set a target of 5 per cent, but has now adjusted targets for 2014/15 to 2016/17 to "under five per cent" to better describe the intended target.

The descriptions of these measures can be viewed online in Appendix 3 of the *2014/15 – 2016/17 Service Plan* at cbt.org/serviceplan.

Management Discussion and Analysis

This Management Discussion and Analysis provides management's perspective of the consolidated financial position and results of operations of the Trust for the year ended March 31, 2014. It should be read in conjunction with the audited consolidated financial statements and associated notes and material contained in the Annual Report. Forward looking statements contained in this discussion are based on management's beliefs and information currently available and are subject to risks and uncertainties. As such, actual results could differ materially from those set forth in this discussion.

In late 2013 Arrow Lakes Power Corporation, a subsidiary of the Trust and Columbia Power, signed a five-year funding agreement with the Fish and Wildlife Compensation Program for the Arrow Lakes Reservoir Nutrient Restoration Program.

Results of Operations

As a result of higher than expected revenues, the Trust recorded a surplus of $1.8 million in 2013/14. Total revenues were $29.4 million, an increase of $3.7 million over 2012/13 and $3.4 million higher than forecasted in the *2013/14 – 2015/16 Service Plan*. A large portion of this increase was attributable to an increase in power projects revenue of $3.1 million and to our securities portfolio outperforming expectations by a significant margin. Domestic and international financial markets performed well in the fiscal year, generating strong returns for the Trust. The market securities portfolio experienced a significant realized gain during the fiscal year and recorded $1.4 million in realized revenues, compared to $611,000 in 2012/13.

The Trust delivered $22 million in new funding benefits to communities to support Delivery of Benefits activities in the Basin and recovered approximately $393,000 of funding commitments recorded in previous

Results of Operations (in thousands)			Variance	
	2013/14	2012/13	Amount	%
Revenues				
Power Projects	$22,825	$19,734	$3,091	15.7%
Market Securities	1,380	611	769	125.9%
Short-term Investments	1,208	1,613	(405)	-25.1%
Loan Income	1,135	1,130	5	0.4%
Private Placements – Commercial Loans	1,121	925	196	21.2%
Private Placements – Real Estate Investments	886	818	68	8.3%
Broadband Operations	292	400	(108)	-27.0%
Recoveries	382	367	15	4.1%
Rental Revenue	124	52	72	138.5%
	29,353	25,650	3,703	14.4%
Expenses				
Community Initiatives	9,782	5,508	4,274	77.6%
Economic Initiatives	7,018	2,779	4,239	152.5%
Water and Environment Initiatives	4,949	7,518	(2,569)	-34.2%
Social Initiatives	2,058	5,841	(3,783)	-64.8%
Broadband Initiatives	1,234	558	676	121.1%
Youth Initiatives	1,281	1,867	(586)	-31.4%
Other Initiatives	764	401	363	90.5%
Investment Initiatives	511	531	(20)	-3.8%
	27,597	25,003	2,594	10.4%
Private Placements – Impairment Loss	-	(1,400)	1,400	-100.0%
Annual Surplus/(Deficit)	$1,756	$(753)	$2,509	333.2%
Accumulated Surplus	$412,115	$410,359	$1,756	0.4%

fiscal years for projects that did not proceed or were underspent. Delivery of Benefits activities included all activities related to social, economic, water, environment, youth, community and broadband initiatives.

Power Projects

A total of $22.8 million in net income was recorded from the three hydroelectric operating power projects in which the Trust is a fifty-fifty partner with Columbia Power Corporation, as well as the annual interest income in Waneta Expansion Power Corporation. Improved operating reliability, specifically at Brilliant Expansion, resulted in the power project revenues being $3.1 million higher than received in 2012/13.

Power Projects Net Income (in thousands)			Variance	
	2013/14	2012/13	Amount	%
Brilliant Dam				
Revenues	$21,099	$20,692	$407	2.0%
Expenses	10,765	10,839	(74)	-0.7%
	10,334	9,853	481	4.9%
Brilliant Expansion				
Revenues	18,448	16,649	1,799	10.8%
Expenses	7,155	7,320	(165)	-2.3%
	11,293	9,329	1,964	21.1%
Arrow Lakes Generating Station				
Revenues	18,919	18,511	408	2.2%
Expenses	18,852	19,028	(176)	-0.9%
	67	(517)	584	-113.0%
Waneta Expansion				
Revenues	1,131	1,069	62	5.8%
	1,131	1,069	62	5.8%
	$22,825	$19,734	$3,091	15.7%

Short-term Investments

Total revenues recorded from the Trust's portfolio of short-term deposits held at financial institutions and with the British Columbia Investment Management Corporation were $1.2 million in 2013/14. These revenues decreased from 2012/13, but this was expected as portfolio balances declined throughout the year as monies from short-term deposits were transferred to the Trust's investment in the Waneta Expansion Project. Short-term investment monies are also used throughout the year for Delivery of Benefits liabilities, new investment opportunities and corporate administration costs. Balances increase throughout the year as dividend deposits are received from both power and non-power investments.

Private Placements

Real Estate Investments

The Trust maintains a 50 per cent ownership interest in seniors housing facilities located in eight Basin communities. With long-term lease arrangements in place at all facilities, the Trust expects stable and predictable income from these investments.

Commercial Loans

Revenues from commercial loans increased by $196,000 over 2012/13. A total of $13.8 million in new loans were approved in 2013/14, but only a portion of that total was advanced in this fiscal year, with final advances on remaining loans expected early in 2014/15.

Private Placements (in thousands)			Variance	
	2013/14	2012/13	Amount	%
Real Estate Investments	$886	$818	$68	8.3%
Commercial Loans	1,121	925	196	21.2%
	$2,007	$1,743	$264	15.1%

Loan Income

A $20-million loan was advanced to Columbia Power in April 2011. Interest only was payable on this loan at the rate of 5.67 per cent and total revenue received from this loan totalled $1.1 million in 2013/14. In April 2014 the principal amount of this loan, including all accrued interest, was repaid to the Trust.

Market Securities

Domestic and international financial markets performed well in the fiscal year, generating strong returns for the Trust. The performance of international markets was further enhanced by the depreciation of the Canadian dollar—most specifically relative to the U.S. dollar. The Trust recorded $1.4 million of market securities income in 2013/14, an increase of $769,000 from 2012/13. Strong unrealized gains resulting from changes in market value were also recorded in 2013/14.

Market Securities (in thousands)			Variance	
	2013/14	2012/13	Amount	%
Market Securities Income	$1,380	$611	$769	125.9%
Unrealized Gain	$1,971	$1,098	$873	79.5%

Recoveries

The Trust recovered costs from Columbia Power for shared information technology services and assets, as well as rental income for the second floor of the Trust building in Castlegar. Recoveries were also received for management services from the Trust's Power Project subsidiaries.

Recoveries (in thousands)			Variance	
	2013/14	2012/13	Amount	%
Information Technology Services	$172	$157	$15	9.6%
Management Contract Services	59	59	-	0.0%
Rental Expenses	151	151	-	0.0%
	$382	$367	$15	4.1%

Rental Revenues

The Trust collected rental revenue from two commercial properties located in Cranbrook.

Expenses

Delivery of Benefits

The Trust provided $22 million in new funding benefits to communities to support Delivery of Benefits activities in the Basin. Delivery of Benefits activities include all activities related to social, economic, water, environment, youth, community and broadband initiatives. Broadband initiatives includes all administration costs incurred during the year to manage the operations of the Columbia Basin Broadband Corporation (CBBC), as well as funding benefits provided directly to communities.

For accounting purposes, Delivery of Benefits expenses are recorded in the year that the Trust authorizes the transfer and all eligibility criteria are met. Throughout the year funds are also recovered, or future payments rescinded, when circumstances change or conditions or performance objectives are not met. In 2013/14 a total of $393,000 of recoveries were recorded.

In addition to the funding benefits provided either directly to communities or through CBBC, the Trust has allocated support services expenses to each major initiative area using an appropriate cost allocation methodology. The costs for CBBC are tracked separately and directly expensed to this initiative.

See the table on the following page for all funding benefits provided for communities, funding benefits that were recovered or rescinded throughout the year and the allocation of the Trust's administration and support costs to each major initiative area.

Expenses – 2013/14 (in thousands)	Community Benefits	Benefits Recovered/ Rescinded	Administration Allocation	Total
COLUMBIA BASIN TRUST				
Community Initiatives	$7,783	$(10)	$2,009	$9,782
Economic Initiatives	6,830	(238)	426	7,018
Water and Environment Initiatives	3,590	(99)	1,458	4,949
Social Initiatives	1,674	-	384	2,058
Youth Initiatives	660	(46)	667	1,281
Other Initiatives	320	-	444	764
Investment Initiatives	-	-	511	511
Broadband Initiatives	211	-	-	211
	21,068	(393)	5,899	26,574
COLUMBIA BASIN BROADBAND CORPORATION				
Broadband Administration	1,023	-	-	1,023
	$22,091	$(393)	$5,899	$27,597

Administration Expenses

To view administration expenses for the Trust, listed by object, see the table below.

Administration Expenses (in thousands)			Variance	
	2013/14	2012/13	Amount	%
Staff Remuneration and Development	$3,924	$3,968	$(44)	-1.1%
Office and General	532	535	(3)	-0.6%
Amortization	438	390	48	12.3%
Professional Fees	404	370	34	9.2%
Corporate Travel and Meetings	189	218	(29)	-13.3%
Board and Committee Expenses	146	200	(54)	-27.0%
Communications	185	130	55	42.3%
Information Technology	81	105	(24)	-22.9%
	$5,899	$5,916	$(17)	-0.3%

Return on Investments

The returns on the Trust's Investment Program—Power Projects, Private Placements and Market Securities—can be viewed on page 17 of this document in the Investment Program Results section.

Liquidity and Capital Resources

Dividends

The Trust received $26 million in dividends from power projects and $1.2 million from joint venture real estate investments. These funds were placed in short-term investments until required for investment in regional investment opportunities, payment of Delivery of Benefit obligations and funding for corporate administration expenses.

Capital Expenditures

The Trust classified capital expenditures according to key projects and investments. Total capital spending during 2013/14 was $18.3 million, with the major component being the Trust's investment in the Waneta Expansion Project. This amount was lower than forecast in the Service Plan, as budgeted contingency monies were not required throughout the year.

A total of $408,000 was spent on new customer relationship management software that will be used by the Trust to support administration, contract management, budgeting and forecasting for both Delivery of Benefits and corporate activities.

See the table below to view the Trust's share.

Capital Expenditures (in thousands)	Actual	Service Plan	Variance
	2013/14	2012/13	Amount
Waneta Expansion	$16,995	$20,200	$(3,205)
Brilliant Dam	804	1,204	(400)
Brilliant Expansion	13	156	(143)
Arrow Lakes Generating Station	-	131	(131)
Trust Corporate Assets	496	520	(24)
	$18,308	$22,211	$(3,903)

Comparison to Service Plan

The Trust provides a Service Plan each year to the BC Legislature under the *Budget Transparency and Accountability Act*. The Service Plan outlines the Trust's goals, objectives and key strategies, along with the results it expects to achieve for the following three-year period.

Comparison to Service Plan (in thousands)	Actual	Service Plan	Variance	Three-year Forecasts		
	2013/14	2013/14	Amount	2014/15	2015/16	2016/17
Revenues						
Power Projects	$22,825	$20,782	$2,043	$21,308	$28,804	$48,732
Market Securities	1,380	900	480	900	900	1,000
Short-term Investments	1,208	1,134	74	284	-	-
Loan Income	1,135	1,140	(5)	1,350	1,480	1,630
Private Placements – Commercial Loans	1,121	921	200	1,110	1,166	1,225
Private Placements – Real Estate Investments	886	700	186	1,250	1,430	1,520
Broadband Operations	292	-	292	500	660	725
Recoveries	382	350	32	340	340	340
Rental Revenue	124	-	124	-	-	-
	29,353	25,927	3,426	27,042	34,780	55,172
Expenses						
Community Initiatives	9,782	9,261	521	7,740	11,320	12,334
Economic Initiatives	7,018	3,686	3,332	3,830	2,461	2,679
Water and Environment Initiatives	4,949	4,845	104	3,485	3,695	4,019
Social Initiatives	2,058	3,955	(1,897)	1,610	2,915	3,178
Broadband Initiatives*	1,234	-	1,234	1,560	1,710	1,500
Youth Initiatives	1,281	2,298	(1,017)	2,057	1,938	2,086
Other Initiatives	764	1,080	(316)	5,643	6,265	6,109
Investment Initiatives	511	540	(29)	520	540	570
Programs Under Development	-	-	-	-	2,256	22,655
	27,597	25,665	1,932	26,445	33,100	55,130
Annual Surplus	$1,756	$262	$1,494	$597	$1,680	$42
Capital Expenditures	$18,308	$22,211	$(3,903)	$7,898	$4,476	$1,409

**Broadband Initiatives includes direct CBBC administration costs, as well as other broadband initiatives delivered directly through the Trust.*

Columbia Basin Broadband Corporation

CBBC is an active operating subsidiary of the Trust and was formed with a mission to provide connectivity to a world-class open access broadband network across the Basin.

Columbia Basin Broadband Corporation Statement of Operations (in thousands)			Variance	
	2013/14	2012/13	Amount	%
Revenues				
Network Revenues	$317	$416	$(99)	-23.8%
Short-term Investments	3	7	(4)	-57.1%
	320	423	(103)	-24.3%
Expenses				
Amortization	247	84	163	194.0%
Corporate Travel and Meetings	30	21	9	42.9%
Information Technology	91	59	32	54.2%
Network Expenses	242	200	42	21.0%
Office and General	23	16	7	43.8%
Professional Fees	131	23	108	469.6%
Staff Remuneration and Development	259	206	53	25.7%
	1,023	609	414	68.0%
Annual Deficit	$(703)	$(186)	$(517)	278.0%
Capital Expenditures	$1,177	$116	$1,061	914.7%

Financial Outlook

Over the next three years (2014/15 – 2016/17), the Trust anticipates the following trends, risks and opportunities may influence its financial performance.

Trends

Revenues expected from power projects are forecast to more than double over the next three years. A new power sales agreement at Arrow Lakes Generating Station will come into effect partway through 2015/16 and is expected to increase power revenues by 26 per cent over 2014/15 forecasts. Revenues from power projects are then forecast to increase to over $48 million in 2016/17, with a full year of the power sales agreement in effect and a full year of operations anticipated at the Waneta Expansion Project.

Revenues from commercial loans and investments are expected to continue to increase moderately as the Trust actively manages its commercial loans portfolio. The Trust placed a further injection of $20 million into its market securities portfolio in April 2014, and revenues expected from this category assume the market remains stable over the next three years.

With the expected increases occurring in revenues, community benefits should also increase, with forecasted Delivery of Benefits budgets totalling $20 million in 2014/15, $26.3 million in 2015/16 and $48 million in 2016/17. Over 2014/15, the Trust will engage with the public to acquire input on how our staff, programs and processes can best support communities and residents into the future while adhering to the Trust's *Charter* and existing plans.

Risks and Opportunities

Power Projects

Seventy-eight per cent of the Trust's revenues are derived from power investments, increasing to 83 per cent in 2015/16. An extended outage at one of the Trust's power projects could mean revenue targets are not met. In order to address this, the Trust has diversified its power holdings over four different power investments and continues to build its non-power portfolio in order to diversify its revenue base.

Waneta Expansion Project

The Waneta Expansion Project is entering its last year of construction and to date has remained on budget and schedule. There is a risk that issues can still arise that could increase cost or delay expected completion and generation of revenues. The Trust continues to address this risk by working closely with the project partners to ensure the project progresses as planned.

Net Income Targets

The Trust prudently manages its cash resources to ensure funds are available for current Delivery of Benefits activities, multi-year spending commitments and corporate operating expenses. While the Trust actively monitors its revenue and expenditure forecasts with the objective of trying to ensure its net income targets are met, any large Delivery of Benefits funding shortfall could have serious negative effects on Basin residents and the Trust's partners and cause reputational damage to the Trust. A significant portion of the Trust's Delivery of Benefits budget is committed through multi-year agreements; therefore, any decreases in forecasted revenues may result in the Trust being unable to meet its net income targets.

Records Management Program

Over the next two years the Trust will be reviewing the current state of its records management practices and developing and implementing a strategy and approach to building a sustainable and organization-wide comprehensive records management program.

Business Continuity Plan

The Trust will develop processes to prepare for disruptive events. Building on its existing information technology disaster recovery plan, over the next two years it will seek organization-wide input to identify crucial systems and processes and the effects an outage may have on the organization, and then develop plans to deal with a disruption.

Risk Management

Over 2013/14 the Trust continued to build its organizational risk management practices by furthering the development of risk registers to core departments of the Trust. All staff within each department worked

together to identify and document specific areas of risk that their departments may encounter, and then developed appropriate mitigation strategies to minimize the occurrence and/or impact of these risks. The Trust will actively monitor both departmental and organizational risk registers on a regular basis, and over the next year will develop a formal risk management framework that will incorporate all the components of risk management that the Trust has developed over the past two years.

Community Engagement

With revenues expected to increase significantly in 2016/17, the Trust will engage extensively with the public to ensure its future operations continue to support the well-being of the Basin. This process will help the Trust receive high-level, forward-looking input on what it can do to help Basin residents and communities address their priorities.

Columbia Basin Broadband Corporation

Fibre optic connectivity is a key factor in economic and social development of the region. The Trust's wholly owned subsidiary CBBC is creating an open access network to connect communities and rural areas within the Basin. CBBC owns fibre in the West and East Kootenays and will use that fibre infrastructure to bring improved connectivity to local governments, service providers and rural customers to enable better broadband throughout the region. In the past year CBBC expanded its network, undertook technical work necessary to activate its network and connect local governments and supported Basin communities in the development of their own local fibre networks. CBBC's focus in the next year includes completing further technical work and working with service providers.

Consolidated Financial Statements

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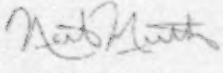
Responsibility for Financial Reporting

Management is responsible for the preparation of the accompanying consolidated financial statements and all of the information contained in the Annual Report. The financial statements have been prepared in accordance with Canadian public sector accounting standards and include amounts that are based on estimates and judgements. Management believes that the financial statements fairly present the Trust's consolidated financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management. The financial statements have been approved by the Trust's Board of Directors.

Management has established and maintained appropriate systems of internal control which are designed to provide reasonable assurance that the Trust's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of financial statements. These systems include formal written policies and appropriate delegation of authority and segregation of responsibilities within the organization.

The independent external auditors, KPMG, Chartered Accountants, have been appointed by the Trust's Board of Directors, to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the Trust's financial position, results of operations, changes in net assets and cash flows in conformity with Canadian public sector accounting standards. The Auditor's report follows and outlines the scope of their examination and their opinion on the consolidated financial statements. The Board of Directors, through the Finance and Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Finance and Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors. The external auditors have full and open access to the Finance and Audit Committee, with and without the presence of management.



Neil Muth
President and CEO

Christine Lloyd
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Independent Auditors' Report

To the Directors of Columbia Basin Trust:

To the Minister of Energy and Mines:

We have audited the accompanying consolidated financial statements of Columbia Basin Trust, which comprise of the consolidated statement of financial position as at March 31, 2014, the consolidated statements of operations, changed in accumulated surplus, remeasurment gains and losses, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Columbia Basin Trust as at March 31, 2014 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

June 14, 2014
Burnaby, Canada

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in thousands)

AS AT MARCH 31	2014	2013
FINANCIAL ASSETS		
Cash	$ 4,479	$ 1,117
Accrued interest and other assets (Note 3)	2,111	1,473
Short-term investments (Note 4)	47,717	69,577
Market securities (Note 5)	26,970	23,619
Loan receivable (Note 6)	20,000	20,000
Private placements - commercial loans (Note 7)	24,224	21,418
Private placements - commercial investment (Note 8)	3,000	3,000
Private placements - real estate investments (Note 9)	6,667	7,102
Investment in Waneta Expansion Limited Partnership (Note 10)	98,642	81,647
Investment in power projects (Note 11)	199,858	203,033
	433,668	431,986
LIABILITIES		
Accounts payable and accrued liabilities	1,090	558
Long-term debt (Note 12)	1,029	1,056
Delivery of Benefits initiatives liabilities (Note 13)	22,725	24,274
	24,844	25,888
Net Financial Assets	408,824	406,098
NON-FINANCIAL ASSETS		
Prepaid expenses	61	49
Tangible capital assets (Note 14)	5,761	4,772
	5,822	4,821
ACCUMULATED SURPLUS	$ 414,646	$ 410,919
Accumulated Surplus is comprised of:		
Accumulated Surplus	$ 412,115	$ 410,359
Accumulated Remeasurement Gain	2,531	560
	$ 414,646	$ 410,919

COMMITMENTS (Note 17) **and SUBSEQUENT EVENTS** (Note 23)

Approved on behalf of the Board of Directors:

Greg Deck
Chair

Amed Naqvi
Chair, Finance and Audit Committee

The accompanying notes are an integral part of these consolidated financial statements.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands)

FOR THE YEAR ENDING MARCH 31	Budget (Note 22)	2014	2013
REVENUES			
Power projects (Note 11)	$ 20,782	$ 22,825	$ 19,734
Market securities	700	1,380	611
Short-term investments	900	1,208	1,613
Loan income	1,134	1,135	1,130
Private placements - commercial loans	1,140	1,121	925
Private placements - real estate investments (Note 9)	921	886	818
Broadband operations	-	292	400
Recoveries (Note 18)	350	382	367
Rental revenue (Note 15)	-	124	52
	25,927	29,353	25,650
EXPENSES			
Community initiatives	9,259	9,782	5,508
Economic initiatives	3,404	7,018	2,779
Water and Environment initiatives	4,843	4,949	7,518
Social initiatives	3,953	2,058	5,841
Broadband initiatives	285	1,234	558
Youth initiatives	2,296	1,281	1,867
Other initiatives	1,082	764	401
Investment initiatives	543	511	531
	25,665	27,597	25,003
Private placements - impairment loss (Note 8)	-	-	(1,400)
ANNUAL SURPLUS/(DEFICIT)	$ 262	$ 1,756	$ (753)

The accompanying notes are an integral part of these consolidated financial statements.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
(in thousands)

FOR THE YEAR ENDING MARCH 31	2014	2013
Accumulated remeasurement gain/(loss), beginning of year	$ 560	$ (538)
Unrealized gain on market securities	1,971	1,098
ACCUMULATED REMEASUREMENT GAIN, end of year	$ 2,531	$ 560

CONSOLIDATED STATEMENT OF CHANGE IN ACCUMULATED SURPLUS
(in thousands)

FOR THE YEAR ENDING MARCH 31	2014	2013
Accumulated surplus, beginning of year, as previously reported	$ 410,359	$ 430,561
Adoption of government transfers standard adjustment	-	(19,449)
Accumulated surplus, beginning of year, restated	410,359	411,112
Annual surplus/(deficit)	1,756	(753)
ACCUMULATED SURPLUS, end of year	$ 412,115	$ 410,359

The accompanying notes are an integral part of these consolidated financial statements.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
(in thousands)

FOR THE YEAR ENDING MARCH 31	Budget (Note 24)	2014	2013
ANNUAL SURPLUS/(DEFICIT)	$ 262	$ 1,756	$ (753)
Acquisition of prepaid expenses	-	(61)	(49)
Use of prepaid expenses	-	49	24
Acquisition of tangible capital assets	-	(1,674)	(2,340)
Amortization of tangible capital assets	425	685	474
	425	(1,001)	(1,891)
Effect of remeasurement gain	-	1,971	1,098
Change in Net Financial Assets	687	2,726	(1,546)
NET FINANCIAL ASSETS, beginning of year, as previously reported	406,098	406,098	427,093
Adjustments due to adoption of government transfers standard	-	-	(19,449)
NET FINANCIAL ASSETS, beginning of year, restated	406,098	406,098	407,644
NET FINANCIAL ASSETS, end of year	$ 406,785	$ 408,824	$ 406,098

The accompanying notes are an integral part of these consolidated financial statements.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

FOR THE YEAR ENDING MARCH 31	2014	2013
CASH FLOWS FROM/APPLIED TO OPERATING ACTIVITIES		
Cash received from private placements - commercial loans	$ 1,173	$ 836
Cash received from broadband operations	282	367
Cash received from short-term investments	1,218	1,632
Cash received from market securities	1,380	611
Cash received from loan receivable	1,135	1,130
Cash received from tenants	433	373
Cash paid for operating expenses	(6,277)	(5,899)
Cash paid for Delivery of Benefits obligations	(22,224)	(14,704)
	(22,880)	(15,654)
CASH FLOWS FROM/APPLIED TO INVESTING ACTIVITIES		
Investment in Waneta Expansion Limited Partnership	(16,995)	(19,660)
Purchase of short-term investments and market securities	(233,273)	(157,892)
Redemption of short-term investments and market securities	253,753	176,329
Issuance of commercial loans	(8,726)	(10,367)
Repayment of commercial loans	5,900	2,723
Cash assumed on conversion of CBBC from modified equity to consolidation	-	677
Dividends received from real estate investments	1,320	1,281
Dividends received from power projects investments	26,000	22,550
	27,979	15,641
CASH FLOWS APPLIED TO CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(1,674)	(1,781)
CASH FLOWS FROM/APPLIED TO FINANCING ACTIVITIES		
Proceeds from issuance of debt	-	1,065
Repayment of debt	(63)	(21)
	(63)	1,044
INCREASE/(DECREASE) IN CASH	3,362	(750)
CASH, beginning of year	1,117	1,867
CASH, end of year	$ 4,479	$ 1,117

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF COLUMBIA BASIN TRUST

Columbia Basin Trust (the Trust) is a corporation established by the *Columbia Basin Trust Act*. The purpose of the Trust is to manage its assets for the ongoing economic, social and environmental well-being of the Columbia Basin (Basin) region. The sole share of the Trust is held by the Minister of Finance on behalf of the Province of BC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The consolidated financial statements of the Trust have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board.

(b) Basis of presentation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity, which is comprised of all organizations controlled by the Trust. Government business partnerships (GBP) are accounted for using the modified equity method. Other government organizations (OGO) and government partnerships (GP) are accounted for using the proportionate consolidation method. All intercompany balances and transactions have been eliminated for OGO's and GP's.

Under the modified equity method, only the Trust's percentage investment in the GBP, and the net income and other changes in equity are recorded. No adjustment is made for accounting policies that are different from those of the Trust.

The Trust's government business partnerships with interest in power projects consist of the following entities:

- Arrow Lakes Power Corporation (ALPC) – 50% interest
- Brilliant Power Corporation (BPC) – 50% interest
- Brilliant Expansion Power Corporation (BEPC) – 50% interest
- Waneta Expansion Power Corporation (WEPC) – 42% interest

The Trust's government business partnerships with interest in real estate consist of the following entities:

- Castle Wood Village – 50% interest
- Columbia Village – 50% interest
- Crest View Village – 50% interest
- Garden View Village – 50% interest
- Joseph Creek Village – 50% interest
- Lake View Village – 50% interest
- Mountain Side Village – 50% interest
- Rocky Mountain Village – 50% interest

(c) Tangible capital assets and amortization

Tangible capital assets are recorded at cost, which includes amounts directly related to the acquisition, construction, design, development, improvement or betterment of the assets. Costs include overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

The cost, less residual value of the tangible capital assets, excluding land, is amortized on a straight-line basis over the expected useful lives as follows:

	Years
New buildings	30
Leasehold improvements	5 - 8
Office furniture and equipment	5
Server hardware and software	3 - 7
Workstation hardware	3
Fibre optics	25

Tangible capital assets are written down to their residual value when conditions indicate that they no longer contribute to the Trust's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs are accounted for as expenses in the statement of operations. Transfers of capital assets from related parties are recorded at carrying value.

(d) Revenue recognition

Revenues are recognized in the period in which the transaction or event occurs that gives rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers to the Trust are recognized in the financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria and stipulations have been met and reasonable estimates of the amounts can be made.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose. Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

(e) Expenses

Expenses are reported on an accrual basis when the goods have been received or the services have been provided. The cost of all goods consumed and services received during the year is expensed.

Expenses are classified by function on the statement of operations. The Trust allocates administration costs by identifying an appropriate basis of allocating and applying that basis consistently each year.

Government transfers are recognized in the consolidated financial statements in the period in which the amounts of the transfers are authorized and any eligibility criteria have been met by the recipient.

(f) Taxes

The Trust and it's wholly owned subsidiaries are exempt from income taxes under paragraph 149(1)(d) of the *Income Tax Act*. The Trust is also exempt from Federal Large Corporations Tax under subsection 181.1(3) of the *Income Tax Act*.

(g) Foreign currency translation

Foreign currency transactions are translated at the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities included in the fair value measurement category denominated in foreign currencies, are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

(h) Financial instruments

Derivatives and equity instruments quoted in an active market are measured at fair value. The Trust measures other specific financial instruments at cost and amortized cost to correspond with how they are evaluated and managed.

Financial instruments measured at fair value are classified as level one, two or three for the purposes of describing the basis of the inputs used to measure the fair values, as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

For financial instruments measured using amortized cost, amortized cost is defined as the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus cumulative amortization using the effective interest method and minus any impairment losses. The effective interest rate method is used to determine interest revenue or expense.

For portfolio investments measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent received or receivable. When an investment is written down to recognize an impairment loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

Financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations and any related fair value changes previously recorded in the statement of remeasurement gains and losses are reversed to the extent of the impairment. Impairment losses are not reversed for a subsequent increase in value.

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost.

Transaction costs are expensed for financial instruments measured at fair value.

The Trust has designated its financial instruments as follows:

i. Cash

Cash includes cash in the bank and is measured at fair value. The Trust presents its Statement of Cash Flows using the direct method.

ii. Short-term investments

Short-term investments are accounted for as portfolio investments. Investments quoted in an active market are reported at fair value and other investments are recorded at cost or amortized cost. These investments are highly liquid and held for the purpose of meeting short-term cash commitments. Investments reported at fair value recognize any changes in fair value in the statement of remeasurement gains and losses.

iii. Market securities

Equity and debt investments quoted in an active market are reported at fair value. The Trust invests in long-term investments through pooled fund products managed by the British Columbia Investment Management Corporation, a corporation established under the *Public Sector Pension Plans Act*. The Trust has a diversified securities portfolio that includes short-term deposits, bonds and equities. Market securities are accounted for as portfolio investments and are reported at fair value with changes in fair value recognized in the statement of remeasurement gains and losses.

iv. Investment in Waneta Expansion Limited Partnership

The Trust accounts for its investment in Waneta Expansion Limited Partnership (WELP) as a portfolio investment and it is measured on a cost basis.

v. Private placements and loans receivable

Investments in commercial loans or loans receivable are recorded at amortized cost less any amount for impairments. Impairment losses are recorded to reflect loans receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Impairments are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectable. Commercial investments that have an equity interest are accounted for as portfolio investments and are measured at cost, less any amounts written off to reflect a permanent decline in value.

vi. Debt and other financial assets and financial liabilities

Debt, accrued interest and other assets and accounts payable and accrued liabilities are measured at amortized cost and are recorded at amortized cost using the effective interest method.

(i) Employee future benefits

The Trust and its employees make contributions to the Public Sector Pension Plan, which is a multi-employer defined benefit pension plan. Multi-employer defined benefit pension plans are accounted for as defined contribution plans. As a result, the Trust's contributions are expensed as paid.

Non-vesting sick leave benefits accrue to the Trust's employees with no obligation to pay sick leave benefits until the employee is injured or ill. The liabilitiy related to these benefits was actuarially determined based on length of service, best estimate of retirement ages and expected future salary and wage increases. The liability is accrued based on projected benefits pro-rated as employees render services necessary to earn the future benefits.

(j) Measurement uncertainty

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period. Significant estimates include assumptions used for recording general loan loss provisions and for identifying any impairment for the Trust's investment in WELP.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

3. ACCRUED INTEREST AND OTHER ASSETS

Accrued interest and other assets consist of accrued interest on short-term investments and recoveries for management and information technology services.

4. SHORT-TERM INVESTMENTS

Short-term investments consist of a portfolio of short-term deposits held at financial institutions and with the British Columbia Investment Management Corporation and are allocated as follows:

	Fair value hierarchy level	2014	2013
Term securities: measured at amortized cost	-	$ 41,677	$ 48,687
Pooled fund investments: measured at fair value	1	6,040	20,890
		$ 47,717	$ 69,577

5. MARKET SECURITIES

The Trust has a diversified securities portfolio that includes short-term deposits, bond and equity funds, which is managed by the British Columbia Investment Management Corporation.

The Trust's investment in market securities measured at fair value is as follows:

	Fair value hierarchy level	2014	2013
Market value	1	$ 26,970	$ 23,619
Cost		$ 23,893	$ 22,513

Remeasurement gain on market securities:

		2014		2013
Opening market value	$	23,619	$	21,910
Purchases		1,380		611
		24,999		22,521
Ending market value		26,970		23,619
	$	1,971	$	1,098

6. LOAN RECEIVABLE

An unsecured $20-million loan was advanced to Columbia Power in April 2011. Interest is payable semi-annually at the rate of 5.67% until April 2016, after which the loan will be repayable in 50 semi-annual payments of principal and interest. Accrued interest and other assets include $568,000 of accrued interest on this loan to Columbia Power. See Note 23 - Subsequent Events.

7. PRIVATE PLACEMENTS – COMMERCIAL LOANS

The Trust provides commercial loans that are generally secured by real estate and currently have terms extending no further than 27 years.

Commercial loans are as follows:

		2014		2013
Commercial loans bearing interest from 3.9% to 8%	$	24,395	$	21,569
Less: general impairment loss		(171)		(151)
	$	24,224	$	21,418

8. PRIVATE PLACEMENTS – COMMERCIAL INVESTMENT

This commercial equity investment is accounted for as a portfolio investment and measured at cost. In 2012/13, an impairment in the value of this investment occurred and a write down of $1.4 million was recorded in the statement of operations. The new carrying value is deemed to be the new cost basis for this investment.

Commercial investment is as follows:

		2014		2013
Commercial investment	$	3,000	$	4,400
Less: specific impairment loss		-		(1,400)
	$	3,000	$	3,000

9. PRIVATE PLACEMENTS – REAL ESTATE INVESTMENTS

The Trust's real estate investments are comprised of 50% ownership interests in real estate investments throughout the Basin consisting of eight seniors housing facilities (see listing of joint ventures in Note 2). These investments are accounted for as investments in government business partnerships using the modified equity basis of accounting.

Condensed supplementary financial information for private placements – real estate investments is as follows:

(a) Financial position (at 50%):

	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Net Assets
March 31, 2014							
Castle Wood Village	$ 122	$ 4,348	$ 4,470	$ 195	$ 3,711	$ 3,906	$ 564
Columbia Village	62	5,755	5,817	188	5,081	5,269	548
Crest View Village	37	4,761	4,798	163	4,067	4,230	568
Garden View Village	37	3,541	3,578	105	2,828	2,933	645
Joseph Creek Village	83	9,811	9,894	347	7,697	8,044	1,850
Lake View Village	47	5,975	6,022	132	4,613	4,745	1,277
Mountain Side Village	55	3,170	3,225	100	2,505	2,605	620
Rocky Mountain Village	44	3,264	3,308	122	2,591	2,713	595
	$ 487	$ 40,625	$ 41,112	$ 1,352	$ 33,093	$ 34,445	$ 6,667

	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Net Assets
March 31, 2013							
Castle Wood Village	$ 96	$ 4,540	$ 4,636	$ 170	$ 3,891	$ 4,061	$ 575
Columbia Village	264	5,812	6,076	199	5,253	5,452	624
Crest View Village	48	4,964	5,012	156	4,209	4,365	647
Garden View Village	35	3,640	3,675	96	2,848	2,944	731
Joseph Creek Village	102	10,129	10,231	315	8,037	8,352	1,879
Lake View Village	35	6,182	6,217	126	4,735	4,861	1,356
Mountain Side Village	52	3,294	3,346	80	2,589	2,669	677
Rocky Mountain Village	31	3,403	3,434	115	2,706	2,821	613
	$ 663	$ 41,964	$ 42,627	$ 1,257	$ 34,268	$ 35,525	$ 7,102

(b) Investment in private placements – real estate (at 50%):

	Castle Wood Village	Columbia Village	Crest View Village	Garden View Village	Joseph Creek Village	Lake View Village	Mountain Side Village	Rocky Mountain Village	Total
March 31, 2014									
Opening balance	$ 575	$ 624	$ 647	$ 731	$ 1,879	$ 1,356	$ 677	$ 613	$ 7,102
Dividends paid	(140)	(135)	(174)	(103)	(391)	(164)	(83)	(131)	(1,321)
Surplus	129	59	95	17	362	85	26	113	886
	$ 564	$ 548	$ 568	$ 645	$ 1,850	$ 1,277	$ 620	$ 595	$ 6,667
March 31, 2013									
Opening balance	$ 615	$ 657	$ 714	$ 783	$ 1,983	$ 1,441	$ 734	$ 638	$ 7,565
Dividends paid	(139)	(128)	(174)	(104)	(359)	(163)	(84)	(130)	(1,281)
Surplus	99	95	107	52	255	78	27	105	818
	$ 575	$ 624	$ 647	$ 731	$ 1,879	$ 1,356	$ 677	$ 613	$ 7,102

(c) Results of operations (at 50%):

	Revenue	Finance Charges	Operations	Amortization	Total Expense	Surplus
March 31, 2014						
Castle Wood Village	$ 525	$ 198	$ 1	$ 197	$ 396	$ 129
Columbia Village	528	210	34	225	469	59
Crest View Village	560	236	24	205	465	95
Garden View Village	362	167	39	139	345	17
Joseph Creek Village	1,095	325	12	396	733	362
Lake View Village	545	246	-	214	460	85
Mountain Side Village	310	148	9	127	284	26
Rocky Mountain Village	374	121	-	140	261	113
	$ 4,299	$ 1,651	$ 119	$ 1,643	$ 3,413	$ 886

	Revenue	Finance Charges	Operations	Amortization	Total Expense	Surplus
March 31, 2013						
Castle Wood Village	$ 526	$ 229	$ 1	$ 197	$ 427	$ 99
Columbia Village	313	92	-	126	218	95
Crest View Village	559	243	2	207	452	107
Garden View Village	363	172	1	138	311	52
Joseph Creek Village	1,096	448	1	392	841	255
Lake View Village	545	252	1	214	467	78
Mountain Side Village	310	156	-	127	283	27
Rocky Mountain Village	374	129	-	140	269	105
	$ 4,086	$ 1,721	$ 6	$ 1,541	$ 3,268	$ 818

(d) Non-current assets:

The Trust's investment in real estate, comprised of seniors housing facilities, is as follows (at 50%):

	Land	Building	2014	2013
Operating facilities	$ 2,728	$ 48,613	$ 51,341	$ 48,215
Projects under development	-	-	-	2,844
Less: accumulated amortization	-	(10,716)	(10,716)	(9,094)
	$ 2,728	$ 37,897	$ 40,625	$ 41,965

(e) Current and non-current liabilities:

i. Long-term debt

Long-term debt consists of mortgage loans that are included in current and non-current liabilities of the real estate entities. The purpose of the mortgage loans was to provide financing for the acquisition of land and the construction of seniors housing facilities. These loans have interest rates varying between 2.95% and 6.38% and will mature on different dates between June 2014 and March 2021. The loans are repayable in equal monthly payments of principal and interest, were originally amortized over 25 years and are secured by first charges, both fixed and floating, over the assets of the seniors housing facilities to which they relate.

ii. Indemnities by joint venturers

The joint venturers of the eight real estate investments gave separate indemnities for 50% of the original mortgage proceeds totaling $33.2 million.

(f) Contingencies:

In June 2010, the BC Housing Management Commission (BC Housing) provided a government grant to allow for subsidized suites at the Lake View Village, a seniors housing facility located in Nelson, BC. Under this agreement, Lake View Village received a forgivable loan in the amount of $855,000 (the Trust's share is 50%), which was applied directly to the existing mortgage on the property. Under the terms and conditions of the agreement, if the loan is defaulted within the first 10 years, $855,000 is repayable to BC Housing. Thereafter, the forgivable loan amount is reduced by 1/15th per year. As at March 31, 2014, the balance of the forgivable loan was $855,000 (the Trust's share is 50%).

10. INVESTMENT IN WANETA EXPANSION LIMITED PARTNERSHIP

CBT Waneta Expansion Power Corp. (16.5% interest), CPC Waneta Holding Ltd. (32.5% interest), and Fortis Inc. (51% interest) formed a partnership to own and develop the Waneta Expansion Project.

The Waneta Expansion Project is a $900-million hydroelectric development downstream from the Waneta Dam in Trail, BC. Construction of the 335-megawatt facility commenced October 1, 2010, and is expected to be completed in early 2015. The Trust invested a total of $17 million in 2013/14 in the Waneta Expansion Project (2012/13 -$19.7 million), to bring the Trust's total investment to $98.6 million.

This investment is accounted for as a portfolio investment and is measured at cost.

		2014		2013
Investment in Waneta Expansion Limited Partnership	$	98,642	$	81,647

11. INVESTMENT IN POWER PROJECTS

The Trust's investment in power projects comprises ownership interests in four entities that are jointly controlled with Columbia Power and these investments are accounted for as GBP's.

(a) Arrow Lakes Power Corporation

CBT Arrow Lakes Power Development Corp. has a 50% ownership interest in the Arrow Lakes Power Corporation (ALPC). The purpose of the ALPC is to operate the 185-megawatt Arrow Lakes Generating Station adjacent to Hugh Keenleyside Dam at Castlegar, BC, and a 48-kilometre transmission line from the power plant to BC Hydro's Selkirk substation.

(b) Brilliant Power Corporation

CBT Power Corp. has a 50% ownership interest in the Brilliant Power Corporation (BPC). The purpose of BPC is to operate the Brilliant Power Facility and Brilliant Terminal Station. The Brilliant Power Facility comprises Brilliant Dam and Generating Station, located on the Kootenay River three kilometres upstream from the confluence of the Columbia River. The Brilliant Terminal Station is a 230-kilovolt switchyard that interconnects Arrow Lakes

Generating Station, Brilliant Expansion and Brilliant Dam and Generating Station to the integrated BC transmission system.

(c) Brilliant Expansion Power Corporation

CBT Brilliant Expansion Power Corp. has a 50% interest in the Brilliant Expansion Power Corporation (BEPC). The purpose of the BEPC is to operate Brilliant Expansion, a 120-megawatt power generation development adjacent to Brilliant Dam at Castlegar, BC.

(d) Waneta Expansion Power Corporation

CBT Energy Inc. has a 42% interest in the Waneta Expansion Power Corporation (WEPC). The WEPC previously held legal title of assets related to the Waneta Expansion Project. In October 2010, all deferred development costs and expansion rights related to the Waneta Expansion Project were sold to the Waneta Expansion Limited Partnership in exchange for a $72-million non-interest bearing Promissory Note.

Condensed supplementary financial information for investment in power projects is as follows:

(e) Financial position:

	Current Assets	Property, Plant & Equipment	Lease Receivable	Other Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Net Assets
March 31, 2014									
ALPC - 50%	$ 11,591	$ 119,145	$ -	$ 6,619	$ 137,355	$ 5,528	$ 173,727	$ 179,255	$ (41,900)
BPC - 50%	7,656	-	153,611	5,344	166,611	6,573	58,192	64,765	101,846
BEPC - 50%	6,185	112,566	-	894	119,645	901	-	901	118,744
WEPC - 42%	-	-	-	21,168	21,168	-	-	-	21,168
	$ 25,432	$ 231,711	$ 153,611	$ 34,025	$ 444,779	$ 13,002	$ 231,919	$ 244,921	$ 199,858
March 31, 2013									
ALPC - 50%	$ 11,800	$ 122,769	$ -	$ 8,719	$ 143,288	$ 5,324	$ 173,681	$ 179,005	$ (35,717)
BPC - 50%	6,438	-	152,089	5,327	163,854	5,837	61,205	67,042	96,812
BEPC - 50%	6,672	115,056	-	888	122,616	715	-	715	121,901
WEPC - 42%	-	-	-	20,037	20,037	-	-	-	20,037
	$ 24,910	$ 237,825	$ 152,089	$ 34,971	$ 449,795	$ 11,876	$ 234,886	$ 246,762	$ 203,033

(f) Investment in power projects:

	ALPC 50%	BPC 50%	BEPC 50%	WEPC 42%	Total
March 31, 2014					
Opening balance	$ (35,717)	$ 96,812	$ 121,901	$ 20,037	$ 203,033
Dividends paid	(6,250)	(5,300)	(14,450)	-	(26,000)
Surplus	67	10,334	11,293	1,131	22,825
	$ (41,900)	$ 101,846	$ 118,744	$ 21,168	$ 199,858
March 31, 2013					
Opening balance	$ (30,100)	$ 92,159	$ 124,822	$ 18,968	$ 205,849
Dividends paid	(5,100)	(5,200)	(12,250)	-	(22,550)
(Deficit)/surplus	(517)	9,853	9,329	1,069	19,734
	$ (35,717)	$ 96,812	$ 121,901	$ 20,037	$ 203,033

(g) Results of operations:

	Revenue	Finance Charges	Operations	Amortization	Total Expense	(Deficit)/ Surplus
March 31, 2014						
ALPC - 50%	$ 18,919	$ 9,709	$ 5,519	$ 3,624	$ 18,852	$ 67
BPC - 50%	21,099	4,982	5,750	33	10,765	10,334
BEPC - 50%	18,448	10	4,642	2,503	7,155	11,293
WEPC - 42%	1,131	-	-	-	-	1,131
	$ 59,597	$ 14,701	$ 15,911	$ 6,160	$ 36,772	$ 22,825
March 31, 2013						
ALPC - 50%	$ 18,511	$ 9,701	$ 5,639	$ 3,688	$ 19,028	$ (517)
BPC - 50%	20,692	5,190	5,616	33	10,839	9,853
BEPC - 50%	16,649	14	4,796	2,510	7,320	9,329
WEPC - 42%	1,069	-	-	-	-	1,069
	$ 56,921	$ 14,905	$ 16,051	$ 6,231	$ 37,187	$ 19,734

(h) Non-current assets:

Promissory Note

The WEPC's non-current asset is a non-interest bearing Promissory Note and is payable on the fifth anniversary of the commercial operation date of the Waneta Expansion Project. The commercial operation date is estimated to occur in 2015, thereby making the Promissory Note's estimated repayment date in 2020, 10 years from the date of issuance. The Promissory Note was discounted using an effective interest rate of 5.5% to reflect a present value at March 31, 2011, of $43 million (the Trust's portion was $18 million). Interest accretes until the Promissory Note is recognized at its face value in 2020. As at March 31, 2014, the Trust's portion of the Promissory Note was $21.2 million.

(i) Non-current liabilities:

i. Long-term debt

BPC has long-term debt that consists of the following:

- Series "A" bonds bearing interest at 8.93%; and
- Series "B" bonds bearing interest at 6.86%; and
- Series "C" bonds bearing interest at 5.67%.

The bonds are redeemable in whole or in part at any time before May 31, 2026, at a price equal to the greater of the principal amount then outstanding, or a price calculated to provide a yield to maturity based on the current yield of a matching-duration Government of Canada bond plus 0.30%, 0.31% and 0.23% respectively. The bonds are secured on a limited recourse basis by charges against Brilliant Dam assets and revenues.

On April 5, 2011, ALPC issued $350 million principal amount of Series "B" bonds with a coupon rate of 5.52%, which is due April 5, 2041. The Series "B" bonds are secured on a limited recourse basis by charges against Arrow Lakes Generating Facility and Transmission assets, related material contracts, licenses, permits, approvals, authorizations and insurance coverage.

Power project bonds are as follows (at 50%):

	2014	2013
Arrow Lakes bonds	$ 175,000	$ 175,000
Brilliant Dam bonds	62,287	65,193
	237,287	240,193
Less: financing costs	(2,238)	(2,400)
Less: current portion of long-term debt	(3,130)	(2,907)
	$ 231,919	$ 234,886

(j) Contingencies

The Trust's operating and development power project activities are affected by federal, provincial and local government laws and regulations. Under its agreements with its Bondholders, the BPC and ALPC have agreed to comply or cause compliance in all material respects with such laws and regulations, as well as to maintain all material franchises. Under current regulations, the venturers are required to meet performance standards to minimize or mitigate the negative impacts of their proposed projects. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

12. LONG-TERM DEBT

The Trust has a term loan which is secured by a collateral mortgage over real estate. The net debt shown on the consolidated statement of financial position is measured at amortized cost and is comprised of the following:

	2014	2013
Demand loan bearing an interest rate at 3.27% per annum, maturing 2017	$ 1,031	$ 1,059
Deferred finance costs	(2)	(3)
	$ 1,029	$ 1,056

Scheduled principal repayments are estimated as follows:

2015	$ 29
2016	30
2017	970
	$ 1,029

13. DELIVERY OF BENEFITS

Delivery of Benefits refers to activities that the Trust undertakes in the region as it seeks to support the efforts of the people of the Basin to create a legacy of social, economic and environmental well-being in the Basin.

		2014		2013
Funds authorized during the year	$	21,068	$	19,324
Funds rescinded/recovered		(393)		(795)
		20,675		18,529
Funds paid during the year		(22,224)		(14,704)
		(1,549)		3,825
Liabilities, beginning of year		24,274		20,449
Liabilities, end of year	$	22,725	$	24,274

Delivery of Benefits obligations are payable to various organizations in the fiscal years ending March 31 as follows:

2015	$ 12,044
2016	7,395
2017	3,286
	$ 22,725

14. TANGIBLE CAPITAL ASSETS

The Trust's tangible capital assets are as follows:

		Cost		Accumulated Amortization		2014		2013
Land	$	690	$	-	$	690	$	690
Building		4,445		1,493		2,952		3,100
Leasehold improvements		735		666		69		86
Office furniture and equipment		569		527		42		39
Server hardware and software		1,735		924		811		295
Workstation hardware		291		282		9		33
Fibre optics		1,280		92		1,188		529
	$	9,745	$	3,984	$	5,761	$	4,772

Refer to Schedule A for supplementary financial information.

15. RENTAL REVENUE

The Trust receives rental revenue from two commercial properties located in Cranbrook, BC.

16. EXPENSES

In addition to the direct benefits provided to Basin communities, the Trust has also allocated administration services and costs to each major initiative area using an appropriate cost allocation methodology. In the case of the Trust's wholly owned subsidiary, Columbia Basin Broadband Corporation (CBBC), all administration costs are tracked separately and expensed directly to this initiative area.

The following table lists the community benefits expensed, funding benefits that were recovered or rescinded, and the allocation of the Trust's administration services and costs to each major initiative area for 2013/14.

CBT	Community Benefits	Benefits Recovered/ Rescinded	Administration Allocation	Total Expenses
Community initiatives	$ 7,783	$ (10)	$ 2,009	$ 9,782
Economic initiatives	6,830	(238)	426	7,018
Water and Environment initiatives	3,590	(99)	1,458	4,949
Social initiatives	1,674	-	384	2,058
Youth initiatives	660	(46)	667	1,281
Other initiatives	320	-	444	764
Investment initiatives	-	-	511	511
Broadband initiatives	211	-	-	211
	21,068	(393)	5,899	26,574
CBBC				
Broadband administration	1,023	-	-	1,023
	$ 22,091	$ (393)	$ 5,899	$ 27,597

The following comprises the Trust's and CBBC's expenses by object:

	CBT	CBBC	Total
March 31, 2014			
Amortization	$ 438	$ 247	$ 685
Board and committee expenses	146	-	146
Communications	185	-	185
Corporate travel and meetings	189	30	219
Delivery of Benefits initiatives	20,464	211	20,675
Information technology	81	107	188
Network costs	-	239	239
Office and general	532	7	539
Professional fees	404	131	535
Staff remuneration and development	3,924	262	4,186
	$ 26,363	$ 1,234	$ 27,597
March 31, 2013			
Amortization	$ 390	$ 84	$ 474
Board and committee expenses	200	-	200
Communications	130	-	130
Corporate travel and meetings	218	21	239
Delivery of Benefits initiatives	18,529	-	18,529
Information technology	105	58	163
Network costs	-	200	200
Office and general	535	17	552
Professional fees	370	23	393
Staff remuneration and development	3,968	155	4,123
	$ 24,445	$ 558	$ 25,003

17. COMMITMENTS

(a) The Trust Office

The Trust has entered into operating lease agreements for its office spaces with terms expiring at various dates in the future.

(b) Waneta Expansion Project

Over the next 1.5 years, the Trust, through CBT Waneta Expansion Power Corp. is committed to fund its 16.5% interest in the Waneta Expansion Project and is committed to funding $5.7 million in 2014/15, and $2 million in 2015/16.

18. RECOVERIES

The Trust charges Columbia Power for information technology support services and management services relating to jointly owned power project entities. Columbia Power also rents a portion of the Columbia Basin building owned by the Trust. These items are classified as recoveries on the statement of operations.

	2014	2013
Information technology systems	$ 172	$ 157
Management/contract services	59	59
Rental expense	151	151
	$ 382	$ 367

19. RELATED PARTY TRANSACTIONS

The Trust is related through common ownership of its jointly owned entities with Columbia Power. The Trust is also indirectly related through common ownership to all Province of BC ministries, agencies, Crown corporations and public sector organizations that are included in the provincial government reporting entity. All related party transactions are considered to possess commercial substance and are consequently recorded at their exchange amounts.

The Trust's portion of related party transactions in power projects and Joseph Creek Village are as follows:

Due from and sales to related parties:

	2014		2013	
	Due from related party	Sales to related party	Due from related party	Sales to related party
Columbia Power	$ 709	$ 1,752	$ 636	$ 1,676
Province of BC	2,199	-	1,926	-
BC Hydro	1,496	32,465	1,908	31,606
BEPC	94	739	188	712
Joseph Creek Village	1,968	159	2,040	132
	$ 6,466	$ 35,115	$ 6,698	$ 34,126

Due to and purchases from related parties:

	2014		2013	
	Due to related party	Purchases from related party	Due to related party	Purchases from related party
Columbia Power	$ 235	$ 1,795	$ 216	$ 1,793
Province of BC	-	7,074	96	7,744
BC Hydro	7	238	10	180
BPC	94	739	188	712
Powerex	-	45	-	45
	$ 336	$ 9,891	$ 510	$ 10,474

20. PUBLIC SERVICE PENSION PLAN

The Trust and its employees contribute to the Public Service Pension Plan (PSPP) in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. The PSPP is a multi-employer defined benefit pension plan. Under joint trusteeship, the risks and rewards associated with the PSPP's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in future contributions.

The most recent actuarial valuation as at March 31, 2011 indicated a $275 million funding deficit for basic pension benefits. To maintain funding for the basic pension benefits, contribution rates to the basic account were increased by a total of 0.8% of salary. This increase was shared equally between members and employers and was effective April 2012. Contributions to the PSPP by the Trust in 2013/14 were $262,000 (2012/13 - $267,000). No provision, other than the Trust's required employer pension contributions, has been made in the accounts of the Trust for this liability. The next valuation date is scheduled for March 31, 2014 with results expected in fiscal 2015.

21. RISK MANAGEMENT

(a) Credit risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. the Trust extends credit within its commercial loans and investments. To mitigate the Trust's exposure to credit risk, an assessment of the credit worthiness of a borrower is carried out prior to the placement of a commercial loan or investment. The Trust's exposure to credit risk is as indicated by the carrying value of its commercial loans and investments. The maximum exposure to credit risk at March 31 was:

	2014	2013
Accrued interest and other assets	$ 2,111	$ 1,473
Commercial loans	$ 24,224	$ 21,418
Commercial investment	$ 3,000	$ 3,000

(b) Liquidity risk

Liquidity risk refers to the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities. The Trust monitors and maintains its liquidity to ensure sufficient capacity to repay its financial liabilities

when they become due. The Trust considers that it has sufficient liquidity to meet its financial obligations. The maximum exposure to liquidity risk at the reporting date was:

		2014		2013
Accounts payable and accrued liabilities	$	1,090	$	558
Long-term debt	$	1,029	$	1,056
Delivery of Benefits liabilities	$	22,725	$	24,274

(c) Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

i. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trust realizes all significant revenues and expenses in Canadian dollars and is therefore not significantly exposed to currency fluctuations.

ii. Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust is not exposed to significant interest rate risk for current liabilities due to the short-term nature of its current liabilities. The Trust's short-term investments and commercial loans are subject to variable interest rates.

Sensitivity analyses: A change of 100 basis points in the interest rates in short-term investments would increase or decrease revenues by $442,000. A change of 100 basis points in the market rates of commercial loans would increase or decrease revenues by $272,000.

iii. Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial statement or its issuer, or factors affecting all similar financial instruments traded in the market. As the Trust's market securities portfolio is affected by global market conditions, the maximum exposure to price risk at the reporting date was:

		2014		2013
Market securities	$	26,970	$	23,619

22. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the Trust's annual budget approved by the Board of Directors in January 2013.

23. SUBSEQUENT EVENTS

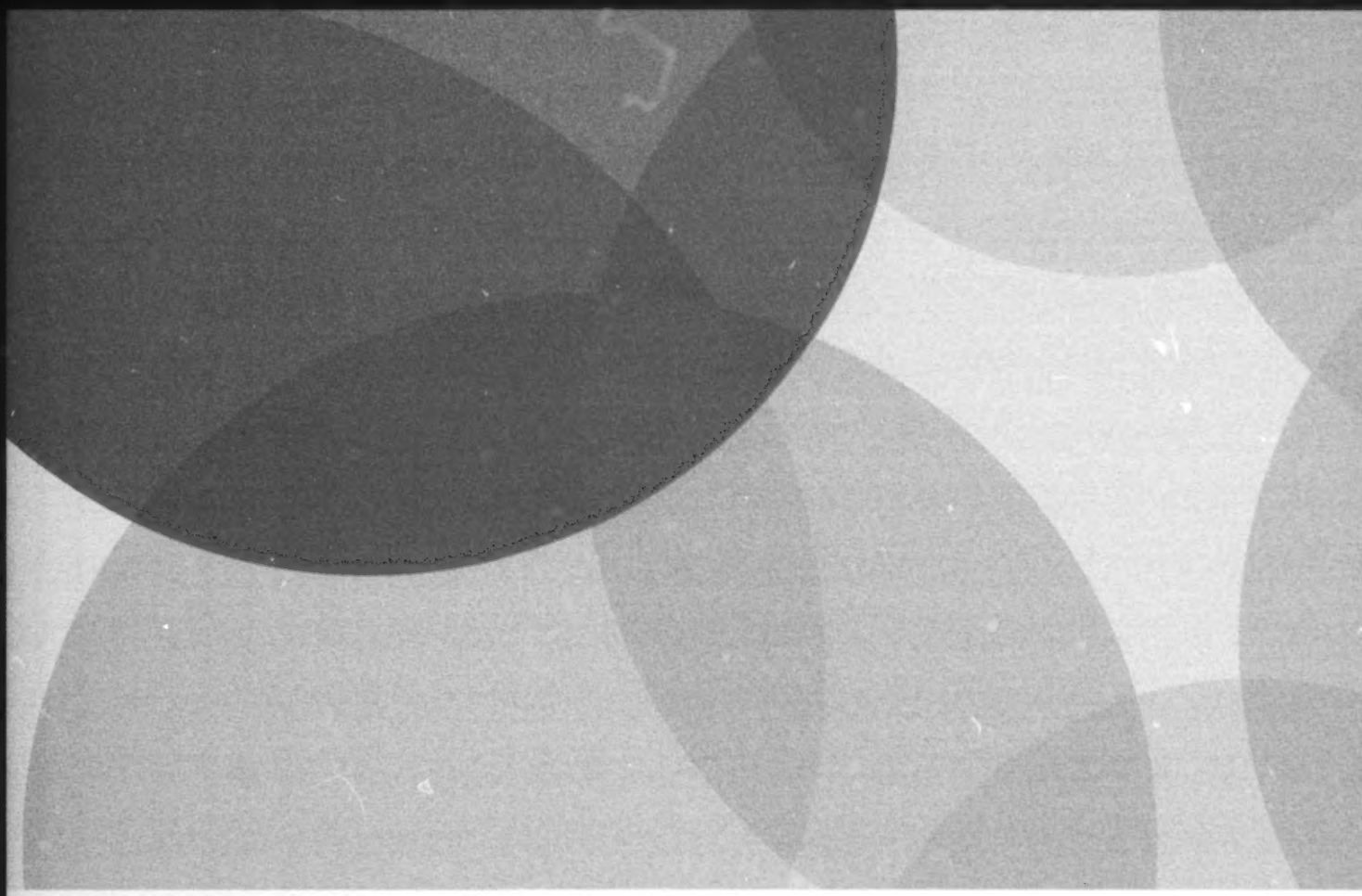
On April 14, 2014, Columbia Power repaid the full principal amount, plus accrued interest, of its unsecured loan with the Trust.

24. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year's presentation.

Schedule A: Tangible capital assets supplementary financial information

	Land	Building	Leasehold Improve-ments	Office Furniture and Equipment	Server Hardware and Software	Work-Station Hardware	Fibre Optics	Total
March 31, 2014								
Cost								
Opening balance	$ 690	$ 4,445	$ 713	$ 550	$ 861	$ 286	$ 570	$ 8,115
Additions	-	-	22	19	918	5	710	1,674
Disposals	-	-	-	-	(44)	-	-	(44)
	690	4,445	735	569	1,735	291	1,280	9,745
Accumulated amortization								
Opening balance	-	(1,345)	(627)	(511)	(566)	(253)	(41)	(3,343)
Additions	-	(148)	(39)	(16)	(402)	(29)	(51)	(685)
Disposals	-	-	-	-	44	-	-	44
	-	(1,493)	(666)	(527)	(924)	(282)	(92)	(3,984)
	$ 690	$ 2,952	$ 69	$ 42	$ 811	$ 9	$ 1,188	$ 5,761
March 31, 2013								
Cost								
Opening balance	$ 205	$ 3,470	$ 637	$ 530	$ 632	$ 268	$ -	$ 5,742
Additions	485	975	76	20	271	20	570	2,417
Disposals	-	-	-	-	(42)	(2)	-	(44)
	690	4,445	713	550	861	286	570	8,115
Accumulated amortization								
Opening balance	-	(1,213)	(590)	(472)	(340)	(221)	-	(2,836)
Additions	-	(132)	(37)	(39)	(268)	(34)	(41)	(551)
Disposals	-	-	-	-	42	2	-	44
	-	(1,345)	(627)	(511)	(566)	(253)	(41)	(3,343)
	$ 690	$ 3,100	$ 86	$ 39	$ 295	$ 33	$ 529	$ 4,772



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